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OFFICIAL REPORT.

Revenue of the United States.

OFFICIAL REPORT.

BY

MR. DAVID A. WELLS,

SPECIAL COMMISSIONER OF THE REVENUE OF THE UNITED STATES.

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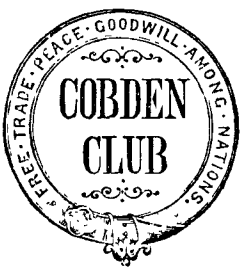

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PREFACE.

THE Reports of Mr. David A. Wells, Special Commissioner of the Revenue, upon the Industry and Commerce of the United States of America, are well known in this country; but the last of the series, the Report for 1869, contains so much which is especially valuable at the present moment, that the Committee of the Cobden Club have determined, with Mr. Wells' consent, to reprint it, and thus to ensure for it a wider circulation than it might otherwise obtain on this side of the Atlantic.

To those who believe that the toiling millions of the human race are not for ever doomed to the degradation which has hitherto been their lot, under almost every form of civilization and every system of government, the fortunes of the American Union must be a subject of the deepest interest.

The success of the great experiment which the American nation has undertaken, depends upon its firm adherence to the two cardinal principles which presided at its birth, Union and Freedom.

The Founders of the Republic, warned by the example of Europe, knew that the people then brought together could not long remain free unless they were united, and that they could not long be united if they were not free; but two inherited defects fatal to both those principles have until lately grown with its growth, and strengthened with its strength—two forms of human oppression differing in grossness, but alike in their violation of personal liberty and the rights of labour—Slavery and Protection.

The first has been rooted out, by unexampled efforts and sacrifices it is true, but with an energy so tremendous, and a success so complete, as to afford the most signal proof in history, of what may be accomplished, when the conscience of a great nation is roused in a great cause.

No one can read Mr. Wells' quiet but unsparing and searching exposure of the effects of monopoly, in neutralizing the progress, and dislocating the industrial economy, even of a country so rich in resources as the United States, without the hope that the days of Protection also are numbered, and that Free Exchange, like Free Labour, will at no very distant time be among the chartered rights of the American people.

It is difficult to doubt indeed after reading this Report, proceeding as it does from an official source, and written for a direct practical purpose, that the old struggle between Industrial Monopoly and Commercial Freedom, between the rights of all, and the privileges of the few, is becoming a great political question in the United States; and it is certain, if this be so, that the result will involve issues not less momentous to the destiny of the American nation, and to the progress of the human race, than those which were decided by the war of emancipation.

For it is becoming evident that in Europe alone, at least in this generation, the forces of freedom are not strong enough, in the present state of popular education, to assert the Law of Free Exchange.

Even in England, where the principles proclaimed by the Anti-Corn Law League have been applied in legislation to a certain point with unparalleled completeness and success, the classes which carried by storm so many strongholds of monopoly have abandoned the cause, when only partially won, and allowed the enemy to intrench itself in new positions, and to arrest the progress of the Free Trade policy, before it has reached the stage at which it can effectually secure the full rewards of labour, in an equitable distribution of the annual product of the nation.

On the Continent the emancipation of the working classes seems even more remote. In spite of all that has been effected for material progress and international intercourse, by the discoveries of science and the applications of mechanical art, the governments are still strong enough to uphold monopoly, under the pretext of national independence and influence, and to plunder the people for the support of armaments and establishments which are the scourge and scandal of the age in which we live; the middle classes are perverting their newly

acquired political power in defending monopoly under the form of protection; and the working men are "bettering their instruction," and claiming their share of the spoil, by aiming at monopoly under its real name, "Communism."

Mr. Wells' forcible illustrations of the effects of the protective system upon the various branches of American industry, and upon the resources of the whole community, will be read therefore with advantage in England, where the imperfect execution of the Free Trade policy has led too many of the uneducated classes to forget the evils of monopoly; and on the Continent they will at least serve, it is hoped, to prevent the example of the States from being invoked by the class of narrow and dangerous politicians, who, while overthrowing absolutism, theocracy, and feudalism, are doing their best to discredit representative government, by using the liberal forces at their command in endeavouring to establish in their stead, what has been justly called a "Bourgeois Constitutionalism," founded on the rotten soil of industrial monopoly, and are thus preparing the way for democracy founded on socialism.

But industrial monopoly is, after all—and this is the moral which it is especially important to inculcate in England at present—only one form of that, which in every form is incompatible with the healthful economic condition of a State, the misdirection and consequent unequal and unjust distribution of the national earnings.

It is too much the habit of Englishmen, in speaking of American protection, to contrast it with their own recent policy, and to plume themselves on their superior sagacity. It will be well for those who are disposed to these reflections, to consider that the protective system of the United States is maintained by a nation of 39,000,000 people, possessing 3,000,000 square miles of territory, or about 1,800,000,000 acres (one-third more than European Russia), three-fourths of which is available for agriculture; that of these three-fourths 403,787,850 acres are already in farms, improved and unimproved, and 66,709,456 acres (which may be increased tenfold when required) against 11,659,855 acres in the United Kingdom under cereal cultivation; that this population produces thirty-six bushels of cereals per head per annum, against sixteen

bushels per head produced by the population of Europe; and above all, that of the land already appropriated, much even in the older States can be purchased very cheap, and in all most cheaply transferred, while under a recent Act of Congress any citizen of the States, or any foreigner who declares his intention to become one, can have a farm of 160 acres in the unappropriated land, absolutely free of charge.

With such advantages and such laws in respect of land, it must be admitted that, with all its extravagance and excesses, the American people can better afford their present false and costly system of industrial monopoly, than the English people can afford their system of taxation, their artificial land laws, and their reckless expenditure, which are relatively to their condition more oppressive; and that the former possess this great advantage over us, that the intelligence and conscience of the nation is becoming alive to its dangers, while in England, even with a reformed Parliament, there is scarcely any practical recognition of the fact, that some of the main principles of the national economy are radically wrong, and that their operation is only more dangerous because it is more disguised.

Mr. Wells justly remarks at p. 71: "The present scale of taxation does not tell so heavily upon the people as in England, where the great body of wealth does, and, by the aristocratic constitution of the government, will, for a long time at least, escape its fair share of the public burdens." *

* Without raising the larger question to which Mr. Wells refers—namely, the share of the public burdens borne by realized property—it may be useful to advert to the following figures:—

It is estimated by Mr. Dudley Baxter, in his work on the "National Income," that the manual labour class in the United Kingdom consists of twenty-three million persons, and the upper and middle classes of seven million persons, the income of the former being £324,000,000 sterling, and that of the latter £489,474,000 sterling.

The only imperial taxes paid by the manual labour class are customs and excise, of which, if, as is probable, it pays an equal share per head to that paid by the other classes, it contributes £33,000,000 sterling.

Assuming that the remaining ten million of customs and excise, and the whole of the other imperial taxes, amounting to twenty-two millions, are contributed by the upper and middle classes, they will pay as their share of the public revenue £32,000,000 sterling.

It thus appears that the upper and middle classes, with an income of £489,474,000 sterling, pay £32,000,000; and that the manual labour class, with an income of £324,645,000, pays £33,000,000 sterling; in other words, that the former pay 6½ per cent. on their income, and the latter 10 per cent. on their income!

And again at p. 45—

"The poor of this country (the United States) are not, and never have been, the same, as a class, as the poor of Great Britain and Continental Europe. Here poverty, as a general thing, means deprivation of comforts and luxuries; there, on the other hand, poverty reaches a lower depth, and implies the deprivation of necessities and the possibility of starvation."

It is the misfortune of old countries that generations of misgovernment have so accustomed the upper classes to the low standard of life which prevails among the great body of the people, that they have almost come to regard it as a normal condition of society, or at all events as inevitable at the present stage of civilization.

Hence arises, it must be presumed, on the one hand, the apathy of governments on the vital question of the condition of the people, and on the other what is perhaps a still more uneasy symptom, the kind of action which is usually taken when inaction has become dangerous or impossible, and which tends more and more to State interference, State aid, and private charity, than to the liberation of the natural forces of society—in other words, to socialism, rather than to freedom. The remedies applied are for the most part addressed to the palliation of effects, rather than to the removal of causes, and can only aggravate the disease.

To those, then, who have constantly before them the aspect of society presented by European countries, there can be no more profitable study than the history of the material progress of the United States, of which the pages of Mr. Wells' Report afford ample evidence, while at the same time they encourage the hope that a people whose happy privilege it is to combine free institutions with practically boundless physical resources, will be enabled to solve the problem which has baffled the civilization of Europe, and yet teach the nations how to live.

At present it cannot be denied that the heavy sacrifices imposed on the United States by the war, and the misdirection of

The due share of the manual labour class, if it contributed in proportion to its income, would be £25,000,000, or £8,000,000 less than the sum which it now pays. To this class therefore the concession of a "Free Breakfast Table" would be a simple act of justice.

national industry, and the loss of national wealth, caused by an unsound commercial and financial policy, have produced incipient, but decided, symptoms of the social disorders which are the chronic maladies of European societies, and thus afforded many points of comparison, as well as of contrast.

Mr. Wells' remarks on the growth of a spirit of trading and speculation, as opposed to a spirit of production; on the increasing discontent among those compelled to earn their subsistence by agriculture and the industrial arts; on the blind efforts of the labourer to find an artificial remedy in strikes, trades' unions, and eight hours' laws; on the greater subordination of labour to capital, owing to the concentration of industrial production, and consequent annihilation of small separate industries; and on the general tendency of the poor to grow poorer; indicate plainly enough the causes which are at work in the United States in common with those which have long been undermining the social fabric of older countries, and which, unless soon arrested, it will become difficult even there to eradicate.

At p. 42, Mr. Wells discusses the important question, "Whether the influence of existing laws tends to promote such a distribution of the annual products of labour and capital, as best subserves the interests of the whole people."

He describes the "ancient combat," old as the dawn of civilization, between the direct producers on the one side, and the indirect and non-producers on the other, in which the one class endeavours to keep, and the other to get, as much of the results of original production as it can; and justly observes that as the latter class includes the more active minds, it has always got the better of the former, and used its power in appropriating an undue share of these results: and that even now, although the grosser methods of the earlier stages of society, force and fraud, are no longer adopted for this purpose, cunning has taken their place, and so directs the current of legislation as to effect its object under the cover of law.

He adds, that "the agitation which now pervades all civilized countries, touching the relations of capital and labour, is but the instinctive uprising of the great productive classes, against the institutions, methods, and devices of the indirect and non-productives."

Much of this criticism is applicable to England, as well as to countries which maintain a system of direct protection.

Wherever it is found that the accumulating wealth of a country is not accompanied by a progressive augmentation of that portion of the annual product which falls to the share of the direct producers, or working classes, it is a sure sign that the economic mechanism of the nation is disordered, and that imperious social laws have been infringed.

In one of the last letters which Bastiat wrote to Cobden, he quotes the following remarkable passage from an essay by M. de Fontenay:—

"*Le capital est le signe caractéristique et la mesure du progrès; il en est le véhicule nécessaire et unique. Sa mission spéciale est de servir de transition, de la valeur à la gratuité. Par conséquent, au lieu de peser sur le prix naturel, son rôle constant est de l'abaisser sans cesse.*"

Upon this observation, Bastiat emphatically says that it "comprehends and resumes the most fruitful of the economic phenomena" which he had spent his life in investigating, and adds:

"En elle est le gage d'une reconciliation inévitable entre les classes propriétaires et prolétaires. Puisque ce point de vue de l'ordre social n'est pas tombé puisqu'il a été aperçu par d'autres, qui l'exposeront à tous les yeux mieux que je ne pourrais faire, Je n'ai pas tout à fait perdu mon temps, et je puis chanter, avec un peu moins de repugnance, mon '*Nunc dimittis.*'"

These words of the great economist cannot be too often remembered and repeated. To enable capital to fulfil this mission, to provide, as far as possible, that its growing accretions shall act directly on the productive labour of the world, by removing all national and international restrictions on production and exchange, and that the joint results of capital and labour shall thus be distributed in more just proportions between those whose services have contributed to them, is the most urgent and the most important task to which the statesmen of all countries can address themselves.

But the one indispensable condition of this result is international co-operation. No nation, however rich in resources, or

strong in political power, can ever accomplish the task, unaided and alone. The causes which prevent the international circulation of capital are diminishing year by year. It is essential that the causes which obstruct the free exchange of the products of labour should equally disappear. The great law of the mutual dependence of nations is asserting its claims to allegiance, and enforcing obedience under intolerable penalties.

What those penalties have been, even in the United States, we learn from Mr. Wells. Can it be believed that a self-governing and educated people will endure much longer a system so unjust and so unwise, and submit much more to such useless sacrifices, and such gratuitous sufferings? May we not rather hope that the movement now beginning in America will not cease, till it has given to the productive forces of the world the decisive international impulse which Europe has failed to give, and hail it as the opening dawn of a nobler policy and a happier time?

OFFICIAL REPORT.

TREASURY DEPARTMENT,
OFFICE SPECIAL COMMISSIONER OF THE REVENUE,
WASHINGTON, D. C., *December* 1869.

SIR,

IN accordance with the provision of law creating the office of Special Commissioner of the Revenue, I have the honour to submit my fourth annual report in respect to the industry, trade, commerce, and revenues of the country; and would request that the same may be transmitted to Congress for consideration.

REVIEW OF THE PROGRESS OF THE NATION FOR THE YEAR 1869.

To review the main features of our national experience in respect to capital and industry for the past year, is but to chronicle and affirm anew the apparent continuance of that same wonderful rate of progress and development which, with the exception of a period of war, has especially characterized the history of the nation for the last quarter of a century.

The revenue receipts of the national exchequer, as in every other year since the termination of the war, have been largely in excess of national expenditures; the tide of labour-seeking, wealth-producing immigration continues to flow with increasing volume upon our shores of the West as upon those of the East; the aggregate of the crops has been bountiful in quantity, excellent in quality, and in excess of any recent average; the circle of settlement has been so rapidly extended, that millions of acres are now included in its area which twelve months ago were uncultivated wilderness; the number of miles of railway constructed has been greater than that of any preceding year, and a regular daily routine of travel and traffic has for the first time been established thereon across the continent; the restoration of the South to a condition of prosperity, equal or greater than that which prevailed antecedent to the war, is a work well-nigh accomplished; peace reigns in all our borders; and from

the Atlantic to the Pacific, from the St. John's to the Rio Grande, there are few who, exempt from physical ailment, need hunger from scarcity of food, or be idle for lack of some opportunity for remunerative employment. In short, the experience of another year reaffirms the principle before announced, that the progress and growth of the country through its elements of vitality, viz., great national resources and an inherent spirit of energy and enterprise in the people, are in a great degree independent of legislation, and of the impoverishment and disorder which the occurrence of a long war has necessarily occasioned.

In support of the above generalizations, the Commissioner would next ask attention to the following specific evidence:—

EXCESS OF NATIONAL REVENUE OVER NATIONAL EXPENDITURES.

The national revenue for the fiscal year ending June 30, 1869, was $370,943,747 21. The national expenditure for the same period was $321,490,597 75, leaving an excess of revenue over expenditure of $49,453,149 46.

The following table shows the relation of receipts to expenditures for each fiscal year since the termination of the war:—

Years.	Receipts.	Expenditures.	Excess of receipts.
1865 66	$558,032,620 06	$520,750,940 48	$37,281,679 58
1866-67	490,634,010 27	346,729,129 33	143,905,880 94
1867-68	405,638,083 32	377,340,284 86	28,297,798 46
1868-69	370,943,747 21	321,490,597 75	49,453,149 46

REDUCTION OF THE NATIONAL DEBT.

On the 1st of September, 1865, the amount of the public debt, then at its maximum, was, less cash in the treasury, $2,757,689,571 43. At the commencement of the present fiscal year, July 1, 1869, the amount of the public debt, less cash and sinking fund in the treasury, was $2,489,002,480 58, showing a reduction to that date of $268,687,090 85. Within the same period, taxes which if continued to the present time would have yielded, in the aggregate, upwards of $200,000,000 per annum, have also been abated or relinquished. To find a parallel to such results, the financial history of other nations will be searched to no purpose.

The amount of the public debt on the 1st of December, 1869, less cash and sinking fund in the treasury, was $2,453,559,735 23, making a total reduction since the 1st of

September, 1865, of $304,129,836 20, and for the current calendar year, of $87,147,466 02.

TOTAL COST OF THE WAR.

It would seem to be desirable at this point, now that all feeling in regard to the subject from its bearing on political questions has apparently passed away, to place upon record the exact cost of the war, as nearly as the same can be determined. With this object, attention is asked to the following exhibit:—

The amount of outstanding national indebtedness March 7, 1861, was..	$76,455,299 28
During the four years of war which terminated in April, 1865 (April 1, 1861, to April 1, 1865), the actual receipts of the treasury were as follows:—	
From internal revenue.....	314,337,317 01
From customs.....	280,861,618 45
From lands.....	1,812,083 80
From direct tax.....	4,668,259 31
From miscellaneous sources..	74,120,413 37
Total receipts.....	$675,799,691 94

The receipts of revenue from April 1, 1865, to June 30, 1869, inclusive, during which period the larger portion of the expenditures has been directly in consequence of the war, were as follows:—

From internal revenue.....	$967,207,221 41
From customs.....	729,991,875 97
From lands.....	7,402,188 28
From direct tax.....	9,017,217 30
From miscellaneous sources.....	194,949,122 13
Total receipts.....	$1,908,567,625 09

The amount of outstanding indebtedness, less cash and sinking fund in treasury, June 30, 1869, was..	$2,489,002,480 58
Deducting from this the amount of outstanding indebtedness at the outbreak of the war ($76,455,299 28), we have, as the sum borrowed for war purposes and not repaid out of the receipts above indicated.....	2,412,547,181 30

Making the total expenditure (loans and receipts) in eight and a quarter years of war and its effects.....	$4,996,914,498 33
Deducting the amount which, but for the war, might be taken as the average expenditure of the government during this period, say one hundred millions per annum.....	825,000,000 00
We shall have.....	$4,171,914,498 33

Which sum represents the cost of the war to the United States Government down to June 30, 1869.

To this sum should be added the value of the pensions now paid by the Government on account of the war, if the same were capitalized. This, at eight years' purchase of the present annual payment, would amount to about *two hundred millions.*

But this aggregate, however large, must still further be increased by other items if we would reach the true cost of the war to us as a people, the above representing only the expenditures of the national government.

These additional charges are substantially as follows:—

Increase of State debts, mainly on war account.....	$123,000,000
County, city, and town indebtedness increased on account of the war, (estimated)*.....	200,000,000
Expenditures of States, counties, cities, and towns, on account of the war, not represented by funded debt, (estimated).....	600,000,000
Estimated loss to the loyal States from the diversion and suspension of industry, and the reduction of the American marine and carrying trade	1,200,000,000

* The report of the comptroller of the State of New York for 1869 states the bounty debt of the State to have been $26,862,000 in 1867; and the amount of local debt for war expenditures to have aggregated in 1868 the sum of $34,765,746 10. The war debt of the state of Massachusetts is at present $16,573,244; the local war debt of the State is not known. The amount paid by this State for bounties and to soldiers' families up to January 1869, is returned at $26,801,000.

Estimated direct expenditures and loss of property by the Confederate States by reason of the war *..... $2,700,000,000

These estimates, which are believed to be moderate and reasonable, show an aggregate destruction of wealth, or diversion of industry, which would have produced wealth in the United States since 1861 approximating *nine thousand millions* of dollars—a sum nominally in excess of the entire increase of wealth, as returned by the census, for the whole country from 1850 to 1860.

This, then, was the cost of the destruction of slavery; the cost of compromise; the cost of the unfaithfulness of those who founded this nation to the idea by which the nation lives. What does it measure? It is substantially a thousand millions a year for nine years; or, at the wages of five hundred dollars a year, the labour of two millions of men exerted continuously during the whole of that period. It is three times as much as the slave property of the country was ever worth. It is a sum which at interest would yield to the end of time twice as much as the annual slave product of the South in its best estate.

"The places of those who sleep in their graves have been filled by new labourers; the incubus of slavery, which was slowly but surely making the fertile South a desert scorched as by a consuming fire, has been removed; thousands of miles of new railroads; inventions never before excelled in their labour-saving character; millions of acres of the richest lands opened to settlement, now render labour easy and product large." Without faltering, and without tampering with the public faith, it is now the duty of this people to undertake the far easier task of payment for the service already rendered. If we hesitate or falter, dishonour, second only to that which tolerated slavery, will overwhelm the land, and the idea of a free people governing themselves will become a scorn and a by-word among nations.

IMMIGRATION.

The following is a revised and the most accurate attainable statement of the course of alien immigration into the United States since and including the year 1856:—

* In making this estimate of the loss by the war to the States in rebellion, a standard of value has been taken which is between the gold standard on the one hand, and the standard of the depreciated Confederate currency on the other. The intention has been to take these losses at a standard of value conforming in general to that of the Northern States during the same period.

1856	200,436	1863	176,282
1857	251,306	1864	193,418
1858	123,126	1865	248,120
1859	121,282	1866	318,554
1860	153,640	1867	298,358
1861	91,9	1868	297,215
1862	91,987	1869	352,569
Total in fourteen years.....			2,918,213

Total from July 1, 1865, to June 30, 1869, *five years*, 1,514,816.

CHINESE IMMIGRATION.

The following table shows the course of Chinese immigration since and including the year 1856 :—

1856	4,733	1863	7,214
1857	5,944	1864	2,975
1858	5,128	1865	2,942
1859	3,457	1866	2,385
1860	5,467	1867	3,863
1861	7,518	1868	10,684
1862	3,633	1869	12,874
Total in fourteen years.....			78,817

The present increment of population of the United States, from the natural increase of births over deaths and from immigration, is probably at the rate of 1,100,000 per annum as a minimum.

RAILWAY EXTENSION.

The number of miles of new railway constructed in the United States during the past year will, it is believed, approximate to five thousand ; making a total construction since and including the year 1865, the year of the termination of the war, of about thirteen thousand. If it is assumed that a line of railway gives access to fifteen square miles of country on each side of it, or thirty square miles altogether, then the thirteen thousand miles of railway, which it is estimated have been constructed during the five years from 1865 to 1870, will have opened up three hundred and ninety thousand square miles of what, for the purposes of general production, may be considered new territory—a tract of country larger than the whole area of France and nearly three and a half times larger than the whole area of Great Britain.

TELEGRAPHIC EXTENSION.

The telegraph system of the United States has been extended during the past year by at least seven thousand miles of new wire, as compared with an estimated extension of six thousand in 1868 ; three thousand in 1867 ; and two thousand in 1866.

INDUSTRIAL RESUSCITATION AND DEVELOPMENT OF THE SOUTH.

But no one circumstance pertaining to the history of the past more strikingly illustrates the extent of the resources of the country and the energy of its population than the recent industrial resuscitation and development of the South. In 1865 this section of our country, which in 1860 represented nearly one-third of the entire population, and, omitting the value of the slaves, nearly two-sevenths of the aggregate wealth of the nation, found itself, as the result of four years of civil war, entirely prostrate ; without industry, without tools, without money, credit, or crops, deprived of local self-government, and, to a great extent, of all political privileges ; the flower of its youth in the hospitals, or dead upon the battle-fields, with society disorganized, and starvation imminent or actually present. Furthermore, the first efforts of the people of the South to improve their condition were also in the highest degree discouraging. During the years 1866 and 1867 the crops, both of cotton and grain, were, to a very great extent, failures. The freedmen were not disposed to work for hire ; demanded excessive wages, and after accepting them, too often rendered poor service. The general result of all attempts to revive production seemed, therefore, up to 1868, to leave both freedman and planter in a condition more destitute and discouraged even than at the close of the war. But the year 1868, the third year of the free-labour experiment, at last brought an improvement.

The harvest was sufficiently abundant to furnish the people with cheap food and to produce a large surplus for the future and for export, while the value returned from the sale of the exportable product of that year, in the form of cotton, grain, sugar, tobacco, and naval stores, and the like, amounted to an aggregate of at least three hundred millions of dollars in currency. Such a result of effort and industry, which in its very statement assumes the character of the marvellous, has brought to the people of the South, before so enfeebled, poor, and discouraged, a large measure of strength and prosperity. It has restored the broken and exhausted lines of railway intercommunication, and is creating many additional ones ; it is enriching the soil and increasing the quality and quantity of the great staple per acre, through the extensive purchase and use of fertilizers and improved tools and implements ; it is

planting that distributor of comforts and necessities—the country store—at the cross-roads; and has led to a truer independence than could ever have been purchased through a victory at arms. The year 1869 has also closed auspiciously. The aggregate of the crops has almost uniformly been greater, while prices have continued to prove highly remunerative.

The general testimony of Northern manufacturers is, that the new cotton is far superior in cleanliness, strength, and uniformity of fibre and absence of waste, than any ever before sent to market, while "a new variety, originating in Mississippi, the 'Peeler,' has also been introduced and brought to market, which commands a price from twenty-five to thirty per cent. higher than any other green-seed cotton of the same grade, because of the superior staple." The estimated product of rice for the Carolinas and Georgia is 55,000 tierces as compared with 35,000 for the previous year; and that of sugar 80,000 to 85,000 hogsheads as compared with 37,647 hogsheads in 1867. Before the war a large proportion of the net annual profit of the South was expended in the purchase of labour. It is now found that labourers can be obtained without expending anything for them, and that the capital thus formerly diverted can be saved and applied for the purchase of some other form of productive power, such as tools, machinery, and animals, while the value of manual labour can be supplemented and increased.* At present the supply of labour to the South is not sufficient to meet the demands of its various industries; but to doubt that with an assurance of profit, peace, personal freedom, and security of property for the future, such a supply cannot be obtained, is to doubt that the influences which have heretofore proved sufficient to control human action and direct the movement of population will continue to operate. But supposing the supply of labour to remain as it is, and the circumstances attending production to be only moderately favourable, the South gives fair promise of deriving annually a greater amount of active surplus capital as the results of its industry than any other section of the Union, and of thereby attaining to a degree of prosperity which will enable its population to become large consumers of the products of other States and countries.† This in turn must tend to increase

* Report upon cotton, United States Commissioners, Paris Exposition.

† "Since the war, experiments made to ascertain how much cotton can be produced upon a single acre have exhibited remarkable and gratifying results. When made with spade culture, stirring the soil deeply and often, after enriching it with phosphates and guano, the product has been very large. In one case reported, upon what seems to be good authority, the product of one acre was *four* bales, or over one thousand six hundred pounds of clean cotton. In past times one bale to the acre has been regarded as a fair crop, and two bales a very large one, on the very richest lands; while

the general prosperity of the whole country, to extend trade and commerce, to lighten, through wider distribution, the necessary burden of taxation, and to make certain the extinguishment of the national debt at a comparatively early period.

Furthermore, the large amount of capital thus becoming annually available at the South will, undoubtedly, seek in great part investment in domestic and local enterprises, and speedily lead to the establishment of manufactures on an extensive scale. The true diversity of employment which results from freedom has now, therefore, become to the South, for the first time, possible; and Southern capital can soon be advantageously applied to the manufacture of agricultural tools and implements, leather, waggons, wooden-ware, soap, starch, clothing, and similar articles. These are manufactures in which iron, steel, and cloth are raw materials. They employ the largest amount of labour in proportion to product and capital, and warrant the payment of high wages. On the other hand, what are commonly called manufactures, viz., iron and steel, and cotton and woollen cloth, are examples of concentration. They require large capital, employ but few hands, and would naturally come much later. We already have in the United States an excess of cotton and woollen spindles, and to invest capital in more would be simply a waste, when there are vast needs at the South requiring far less capital, and warranting much greater compensation for labour than can be paid in textile fabrics.

THE TRUE TESTS OF MATERIAL PROSPERITY.

A presentation of evidence like that above given, touching the record of national production and development, naturally suggests a line of inquiry, which we propose to anticipate and answer. It is this: If the statements thus presented are not exaggerations; if the power of the country to repair its waste and extend its production is as great as is represented, what need of further investigation and legislation? Why talk of the burdens of the tariff, of the necessity of reforms in the internal revenue, or of the evils of an irredeemable paper currency? All these questions are certainly most pertinent to the subject; but in asking them let us not unintentionally deceive ourselves.

The aggregate production of a nation of forty millions, possessing the most fertile territory, with such varied conditions of climate and culture as to render the general failure of an annual harvest an impossibility, must necessarily be very great; while the annual increment of population from natural causes,

half a bale, or about two hundred and fifty pounds, was for many years a satisfactory result in Georgia and the Carolinas, where the lands were badly worn."—Report of United States Commissioners, Paris Exposition, 1867.

superadded to an annual foreign immigration of over three hundred thousand, of necessity greatly expands the cultivated area of the State, requires an additional food product, augments the supply of labour and consequently of capital; which last in turn finds its expression and use most noticeably in the construction of houses and shops, and in the extension of the means of inter-communication.

QUESTIONS OF THE HOUR.

Not to increase, therefore, is to retrograde; and a realization of this truth makes it evident that the matter of vital interest to the nation in all these investigations is not the mere ascertainment and enumeration of the aggregates of production; but rather, first, *of the existing relations between national production and national consumption or expenditure;* second, *the determination of the question whether the resources and privileges which have accrued to the nation through its inheritance of soil, climate, race, and government have been utilized to the best advantage;* and third, and most especially, *whether the influence of existing laws tends to promote such a distribution of the annual products of labour and capital as best subserves the interests of the whole people.*

To construct an inventory of the national wealth without reference to these questions would be equivalent to presenting merely the credit side of an account as evidence of the success of a business transaction, and of ignoring entirely the *per contra*, as it may appear in the form of interest on capital, wages of labour, or the cost of material; and although, in the institution of any fair and thorough comparison of things favourable with those unfavourable, we may feel assured that the balance in favour of the United States would be greater than that afforded by a similar investigation into the affairs of any other country, yet this fact renders it none the less desirable that we should earnestly endeavour to ascertain the elements of national weakness and the methods of remedy, as well as the elements of national strength; inasmuch as in a State or nation, as in a structure, the weakest point may be, and often is, the measure of the strength of the whole.

To a discussion, therefore, of the questions above suggested, with special reference to the results which the investigations and experience of another year have afforded, the Commissioner would next invite attention.

RELATION OF NATIONAL PRODUCTION TO NATIONAL CONSUMPTION OR EXPENDITURE.

In respect to the relation which the aggregate of national production sustains to the aggregate of national consumption

or expenditure, it is difficult to arrive at any altogether definite or satisfactory conclusions.

PRESENT VALUE OF REAL AND PERSONAL PROPERTY OF THE UNITED STATES.

The value of the real and personal property of the United States, as deduced from the census returns of 1860, subtracting the value of the then slaves, and considering them, for the purpose of the inquiry, as producers and consumers of wealth and not property, was estimated in round numbers at fourteen thousand millions ($14,183,215,628;)* the value of the annual product at $3,804,000,000; the value of the annual product of each person at $121 03, and the average property of each person in the nation at $451 26.

A valuation of Great Britain for 1868-69, which has undoubtedly claim to close approximative accuracy,† gives the following results: gross property of the nation $30,000,000,000 (£6,000,000,000.) Gross annual income, $4,070,000,000 (£814,000,000); net income, or original earnings, $2,750,000,000 to $3,000,000,000 (£550,000,000 to £600,000,000.) The present population of the United Kingdom being 30,380,000, we have, according to the above valuation, a fraction less than $1,000 as the average value of property to each individual; and $134 as the proportion of the gross value of the annual product to each person.

Assuming the present population of the United States to be 39,000,000, and the average value of the property held by each person to have nominally increased from $451 26 gold in 1860, to $600 currency in 1869-70, the present valuation of the United States would be $23,400,000,000, an increase since 1860 of $9,216,784,372 or 65·8 per cent.

This estimate the Commissioner believes to be as large as the evidence available on this subject will warrant, unless an estimate be given to land in excess of its real value as productive capital, or what it would exchange for in money or other marketable products.‡ He would further remind those

* Dr. William Elder.

† R. Dudley Baxter.

‡ Land in general is valuable as an instrument of production, and its true measure of value is what it produces. Land to the agriculturist is worth most when it brings him the most and best of the commodities needed, and the largest surplus. It is worth the least to him when it brings him the least of these, with no surplus at all. The real value of land, therefore, is a very different thing from its nominal value for speculative purposes; and the appraisement of land at a value greater than its value for production, adds nothing whatever to the real wealth or capital of a country.

who may be inclined to regard this aggregate as an underestimate, that the national valuation of $14,183,215,628, as deduced from the census returns of 1860, represents the surplus of accumulation over expenditure which had resulted up to that date from all the labour and economy of all the people who have inhabited the territory of the United States since its first discovery and settlement by Europeans, *plus* whatever of capital has been sent to it by other nations; and it is not reasonable to suppose that in the single decade which has elapsed since 1860, during nearly one-half of which time the nation was convulsed with war, that an actual increase of wealth has been attained in excess of sixty-five per cent. (including the enhancement of price from the premium on gold) of the accumulation of all the years previous, during which the United States has been a country and a nation.

A confirmation of this result, furthermore, may be reached by another and independent method of reasoning. The increase of property from 1850 to 1860, according to the estimates of the census, was from 6,174,000,000 to 14,183,000,000, or 129 per cent. Much of this large increase, however, is known to have been due to more accurate methods of enumeration, and to the inclusion of many elements previously left unnoticed. A careful review and comparison of the material of these two censuses, made during the past summer, at the request of the Secretary of the Treasury, by the Commissioner, in connection with certain of the experts who prepared the census of 1860, resulted in the conclusion that the true rate of increase during the decade was about sixty-five per cent., or, allowing to the fullest extent for omissions and underestimates, certainly not in excess of eighty per cent. This last, if continued, would give a total valuation in 1870 of $25,529,000,000, by the natural, uninterrupted gain of population and industry; adding thirty per cent. to this amount for the premium on gold, the currency valuation at the present tine, according to this rate, would be $33,188,000,000. Deducting the estimated cost of the war to the government and to the people, from direct expenditure and from the diversion of industry and the destruction of property, as given above, $9,000,000,000, we should have left $24,188,000,000 as the accumulated wealth of the country at the close of the present decade.

VALUE OF THE GROSS ANNUAL PRODUCT OF THE NATION.

In respect to the value of the *annual product* of the nation, the data available for the formation of an opinion are also exceedingly limited, being mainly deductions from the census of 1860; a comparison of the results of similar investigations

recently undertaken in Great Britain; and the estimated value of the products moved annually upon the railways of the country.

As has been already stated, the gross value of the annual product of the United States, as deduced from the census returns of 1860, was $3,804,000,000, and the gross value of the product of the year to each person $121 03. The corresponding figures for Great Britain for 1868-69, are $4,070,000,000 and $134, respectively.

If we now assume $175 (currency) as the present value of the annual *per capita* product of the whole nation, and the population as 39,000,000, the gross value of the annual product becomes $6,825,000,000. Large as is this estimate, it is confirmed in general by the results afforded by investigations which have been recently made in respect to the quantity and value of the freight moved annually upon American railways.

If the estimate of $175 currency, as the present average value of the annual *per capita* product of the nation, as compared with $121 in 1860, should appear too small, it may be well to consider for a moment the components of the nation, who by their labour create this value. Thus, of the present estimated population of 39,000,000, about one-half,* or 19,000,000, are females; 42 per cent. of the whole number of both sexes are below the age of 16; while 4½ per cent. are over 60. Of the proportion of the whole population between the ages of 18 and 65 who are incapacitated for labour, no accurate determination can be made; but adopting the data afforded by the experience of the friendly societies of England—subject to certain local qualifications—the number in our present population undoubtedly approximates 500,000.

In Great Britain, the results of investigation show that out of a population of 30,000,000, 54 per cent. of the whole number are without income or wages; or, in other words, for every five persons who support themselves, six are dependent. In the United States, where there is less disposition and less necessity for women and children, or the aged, to engage in

* According to the deductions of the last census and the standard tables of life insurance companies, the present assumed population of the United States—39,000,000—would be exactly proportioned between the two sexes as follows:—

Males		19,951,100
Females		19,048,900
Proportions below the age of 16:		
Males	8,461,261	
Females	8,162,453	
Total	16,623,714, or 42 61 per cent.	

Whole number of population above 60 years, 1,675,097, or 4½ per cent.

remunerative employments, the Commissioner believes that the above ratio as ascertained for Great Britain will be greatly exceeded, and that 33 per cent., or 12,870,000, will fairly represent that portion of our population who are in receipt of income. Now, the persons thus enumerated as in receipt of income may be divided into two classes, viz., 1st, those whose income is the earnings of absolute production, and as such constitutes a direct addition to the nation's property ; and 2d, those whose income is paid out of the income of the first class for the use of capital, or for services not directly productive. To ascertain, therefore, the number of those whose income is a direct addition to the wealth of the nation, we must deduct from the 12,870,000 above mentioned the following persons, viz., those who live on the interest of fixed investments ; members of the learned professions, and those engaged in educational employments; civil officers of the government—national and State—and members of the army and navy ; all those engaged in the amusement of the people; in disseminating news ; in conveying persons or things for pleasure or for mere change from one place to another ; artists ; domestic servants ; manufacturers and transporters of drinks and stimulants ; agents, superintendents, and watchmen ; and if it is assumed that product has contributed its maximum of wealth to the nation when it is lodged for distribution in the hands of the wholesale dealer, there must be further added to the number of those whose incomes are not independent sources of wealth to the country, all retail dealers, clerks, and distributors generally. Making allowance for these classes, it seems probable that the whole number of persons who by their labour add directly to the wealth of the country is not in excess of 10,000,000, and this number, it is to be noted, sustains as great a ratio to the present population of 39,000,000 as did the whole number of persons returned in 1860 as following all the various occupations of the country, whether engaged in original production or otherwise. Dividing, now, the assumed total value of the annual product, $6,825,000,000, among the assumed number of the directly productive class, we have a *per capita* product of $682 50 ; which sum undoubtedly approximately represents the first hand average annual income of the direct producers of wealth in the nation, out of which the whole population have to live, provide food and clothing, pay taxes and all other expenses, and accumulate a surplus of future productive capital.

GROSS ANNUAL VALUE OF THE PRODUCTS OF LEADING INDUSTRIES.

It will be interesting to inquire at this point what proportion of the annual aggregate product of the nation results from

the labour of the persons engaged in the various industrial occupations productive of direct wealth.

AGRICULTURE.

Among these that of agriculture ranks first; forty-one per cent. (or one in every two and a half persons), exclusive of the slave population, of all whose occupations were specified according to the census of 1860, being engaged in this pursuit. Making allowance for the above exception, it is reasonable to suppose that of the whole number of persons in the United States who are in the receipt of income from some industrial occupation or the investment of capital, fully fifty per cent., or 6,435,000, are agriculturists. The value of their *per capita* product must, it would seem, be sufficient to make up for the following requirements :—

Wages, $275; subsistence, $125; amount available to supply waste in animals, implements, and land, $50; interest on capital, $60; total, $510. This sum multiplied into the whole number of agriculturists would give $3,282,000,000 as the proportion of their contribution of the total gross value of the national product per annum.

ANNUAL VALUE OF THE PRINCIPAL AGRICULTURAL PRODUCTS OF THE NATION.

An estimate of the value of the leading agricultural products of the country for the present year may also tend to assist in forming a judgment in regard to the total annual value of the product in this department of national industry. The details of such an estimate would be somewhat as follows :—

Cotton, 2,700,000 bales, 450 pounds each, at 25 cents	$303,750,000
Corn, 900,000,000 bushels, at 50 cents.	450,000,000
Wheat, 300,000,000 bushels, at $1 25..	375,000,000
Oats, 275,000,000 bushels, at 50 cents.	137,500,000
Wool, 177,000,000 pounds (estimated clip of 1868), at 42½ cents	75,225,000
Tobacco, 225,000,000 pounds, at 16½ cents	37,125,000
Barley, 25,000,000 bushels, at $1 20...	30,000,000
Hay, 25,000,000 tons, at $10	250,000,000
Rye, 25,000,000 bushels, at $1 10.....	27,500,000
Hides, 6,700,000, at $5 50	36,850,000
Potatoes, 150,000,000 bushels, at 60 cents	90,000,000

Buckwheat, 20,000,000 bushels, at $1 .	$20,000,000
Flesh of animals, deducting value of hay and grain consumed	*400,000,000
Dairy products, deducting value consumed of farm products previously enumerated	†400,000,000
All other products of agriculture, including the annual increase in the value of cattle and horses, the value of fruits, seeds, and garden products, the annual addition to the value of farms and farm buildings, and implements made by farm labour not classed as mechanical (fences, drainage, &c., &c.)	650,000,000
Total	$3,282,950,000

* The usual dietary of prisons in the United States allows about one pound of fresh meat, or its equivalent in salt meats or fish, for the subsistence of the inmates. In hospitals for the insane the allowance of meat or its equivalent is about one half-pound. The ration of the United States army is one and one-quarter pounds or its equivalent. An estimate of twenty dollars per head per annum as the cost of the meat food of the present population would yield a total of $780,000,000. When it is considered meat is consumed in the United States by the labouring as well as by the well-to-do classes, this will not seem an exaggerated estimate. A very careful examination into the dietary of one of the best-conducted factory boarding-houses in New England shows a consumption of three and one-fifth pounds of meat, mostly fresh beef, per week for each person, at an expense per head of a little above twenty-eight dollars a year. Of the forty persons in this enumeration fourteen were females and four children.

† The dietary of the same factory boarding-house heretofore quoted, where the operatives were in large part French Canadians, notoriously frugal and simple in their habits, and in which they were furnished to their own satisfaction, shows an average consumption of butter amounting to about $16 51 a year for each person, including women and children. An average consumption for the entire population, taken at one-half of this sum, or $8 25 a head, would result in an expenditure on this account of $321,750,000. A consumption of milk to the value of one cent per day for each person would give an additional sum of $143,350,000, making a total for these two items of $464,100,000. To this must be added the value of cheese and eggs consumed. Any one who is acquainted with the manner in which milk, and more especially butter, are consumed in the families of American labouring men, as well as in the houses of the wealthy and well-to-do classes, will acknowledge that these estimates of consumption fall considerably within the mark. In further illustration of the several points indicated, we append the results (see Appendix A) in full of the inquiry into the quantity and cost of food and other necessaries of life consumed in the New England factory boarding-house thus referred to. The investigation was made at the request of the Commissioner, and the results are undoubtedly correct to ounces and cents. In fact, it is believed that no similar investigation, as respects accuracy, has ever before been instituted in the United States.

PRODUCTS OF OTHER INDUSTRIES.

In respect to the other wealth-producing industries, the statistics of the manufacture of cotton, wool, iron, boots and shoes, and paper are sufficiently available and exact to allow of the very accurate determination of the increased value which accrues from the labour employed in these several departments.

MANUFACTURE OF COTTON.

Estimated number of spindles in the United States, from the latest returns to the Cotton Manufacturers' Association		6,930,346
Capital represented, at an average of $20 per spindle		$138,606,920
Estimated consumption of cotton, in pounds, per annum		450,000,000
Average number of yarn		28
Product of cloth, allowing one-sixth for waste, pounds		375,000,000
Value of product, on basis of twenty-five cents per pound for cotton—		
Cotton	$112,500,000	
Supplies and repairs	21,000,000	
Labour	42,000,000	
Profits on capital, say	8,500,000	
		$184,000,000
Estimated expenses of transportation and distribution		31,415,000
Hands employed, mostly female, estimated		125,000
Value added to material by each hand		404
Value of the manufactured product ready for transportation and distribution, exclusive of cost of raw cotton		71,500,000

MANUFACTURES OF WOOL.

Estimated amount of machinery in carding and combing, equivalent to 6,000 sets of cards. Estimated consumption of wool and substitutes, 1868, in condition as marketed, pounds		235,000,000
Equivalent in pounds of scoured wool		125,000,000
Value of product:		
Wool	$90,000,000	
Supplies and repairs	25,000,000	
Labour	35,000,000	

Profits on capital, 1868-69, estimated at six per cent.	$6,000,000	
		$156,000,000
Estimated expense of transportation and distribution		25,000,000
Number of hands employed, mostly males, at fifteen to each set of cards		90,000
Value added to material by each hand		$455

PIG AND BAR IRON.

Present annual product of pig iron, tons	1,725,000
Value at furnace, at $36 per ton	$62,100,000
Present annual product of rolling mills and bloomeries, tons	1,222,000
Value of product of rolling mills, 1,200,000 tons, at $90	$108,000,000
Deducting value at rolling mills of pig and scrap iron used as raw material, say, 1,416,000 tons, at $37 50	53,100,000
Added value of rolling-mill industry	$54,900,000
Product of bloomeries, 22,000 tons, at $180	$3,960,000
Deduct value of pig metal used as raw material, say 26,400 tons, at $38	1,003,200
Added value of bloomery industry	$2,956,800

Recapitulation :

Pig metal	$62,100,000
Rolling-mill industry, added value	54,900,000
Bloomeries, added value	2,956,800
Total	$119,956,800

The following is an estimate of the number of hands employed in the primary production of iron, viz., pig and bar iron, as returned by the Secretary of the American Iron and Steel Association :—

At blast furnaces	12,500
Preparation of ore and fuel	42,000
At forges and bloomeries	2,500
In rolling mills	58,000
Total	115,000

There are no accessible data for estimating the royalty paid for ores, or the cost of the transportation of ores to the coal, or *vice versa*. It may also be noted that the profits of iron production, be they large or small, are included in this sum of $119,956,800. If it be all credited to the actual labourers, the value of the work of each hand is $1,043; but a fair deduction for labour of persons not enumerated, and for profits above six per cent., would probably reduce this average to $700 or $750.

LEATHER MANUFACTURES.

Value of leather tanned and dressed in United States	$124,760,069
Deducting value of hides and skins used as raw material	66,531,114
Value added by labour	$58,228,955
Value of boots and shoes produced	$246,252,000
Deduct value of all materials used, including leather	130,169,608
Added value of boot and shoe industry	$116,082,392
Value of other manufactures of leather, harness, hose, belting, bags, portemonnaies, &c	$63,300,000
Deduct value of materials, including leather	15,000,000
Added value of above industries	$48,300,000
Number of hands employed in the manufacture of leather	30,000
Employed in manufacture of boots and shoes	131,333
Employed in other manufactures from leather	19,000
	180,333

Recapitulation:

Value added to hides and skins in the manufacture of leather	$58,228,955
Value added in manufacture of boots and shoes	116,082,392

Value added in other manufactures from leather	$48,300,000
	$222,611,347

The total value of product in the manufacture of leather is apportioned as follows :—

Raw material	$66,531,114
Supplies and repairs	24,328,955
Labour	20,000,000
Capital*	13,900,000
	$124,760,069
Value added to material by each hand, (excluding cost of "supplies and repairs")	$1,130
Average wages	666⅔

The total value of the product of the boot and shoe industry is apportioned as follows :—

Raw material	$130,169,608
Supplies and repairs	9,373,959
Capital	24,625,000
Labour	82,083,433
	$246,250,000
Value added to material by each hand	812
Average wages	625

For a more complete exhibit of the industry of the United States engaged in the production of leather and in the manufacture of articles from leather, reference is made to the appendix to this report marked B.

MANUFACTURES OF PAPER.

The quantity annually manufactured in the United States is estimated for the Commissioner by the trade, at 780,000,000 pounds, valued at	$72,000,000
Number of hands employed	25,000

The Commissioner, however, has not the data requisite for separating the value of the labour from the material used.

* The capital employed in making leather is much larger in proportion to product than in making boots and shoes.

VALUE ADDED TO PRODUCT BY RAILWAY TRANSPORTATION.

The addition made to the annual product of the country through the service rendered by capital and labour employed in railway transportation has recently been shown by competent authority to be at the rate of about three hundred and sixty millions of dollars, on an investment of capital of nearly one thousand eight hundred millions.

FISHERIES.

Unfortunately, and almost inexcusably, the products of our national fisheries have never been enumerated with any such completeness as to enable an estimate of the annual value of the production of this industry to be made with any great degree of assurance or satisfaction. But a recent canvass of certain fishing fields justifies the conclusion that the value of all the fisheries of the country—including sea-coast, lake, and river fisheries—is not less than one hundred millions of dollars per annum.

RECAPITULATION.

A summary statement of the values created by the leading industries of the country would therefore appear to be substantially as follows :—

Agriculture	$3,282,950,000
Cotton manufacture	71,500,000
Woollen manufacture	66,000,000
Iron production, pig and bar	119,950,000
Leather manufactures	222,600,000
Railway service	360,000,000
Fisheries	100,000,000
	$4,223,000,000

This aggregate, deducted from the estimated gross product of the country, viz., $6,825,000,000, gives $2,602,000,000 as the product of all the industrial classes remaining unenumerated. If we suppose the classes enumerated to embrace 7,165,000 producers (6,435,000 agriculturists and 730,000 engaged in railway service, fisheries, and the manufactures specified), this will leave a product of $2,602,000,000, divided among 5,705,000 producers (the total number of producers having been taken at 12,870,000), giving an average value of the labour of each one of $455 per annum. This large body of producers includes persons of the most various occupations and the most diverse character as regards the capacity of production, embracing as it does many highly skilled and highly paid artisans, as well as

all the distributors of the country, and also great numbers of domestic servants, women and children, contributing in but a small degree to production, and receiving minimum wages.

So far as any estimate can be made of the proportionate number employed in mechanical employments, from the imperfect data of the census of 1860, there are in this remainder at least 1,000,000 skilled artisans, machinists, carpenters, blacksmiths, masons, and the like, whose average wages are at least $2 50 per day, or about $750 per year, and the value of whose labour in the work of manufacture or production must be estimated at the sum of their wages, with a fair rate of profit to the employer, and the wear of tools and apparatus—say $1,000 per annum—thus making them the most valuable producing class, and consequently the largest consuming class in the community.

If we deduct $1,000,000,000 as the value of their labour, we have a remainder of $1,602,000,000 as the result of the work of the 4,705,000 common labourers, domestic servants, and of all distributors, or an average of $340 per annum to each person. This final result would indicate that the total estimate of annual product is an under rather than an over estimate

It will be obvious, furthermore, that this estimate has been made upon a currency basis, or at a depreciation of the currency in relation to gold of from twenty-five to thirty per cent.; and, also, that the prices of many commodities included in these estimates are represented at a much higher rate in relation to gold than the nominal depreciation would indicate. What abatement should be made on this account from the total estimate as above given it is impossible to tell. The machinery and tools of production, transportation, and distribution were never before so ample or so effective; and so soon as the evil effect of a vicious currency and a burdensome tariff shall be removed, it will not be too much to expect that the present aggregate value of annual production will be maintained—not, of course, by maintenance of prices, but from the vastly greater abundance, with its resulting comfort to the people.

ANNUAL INCREASE OF THE NATIONAL VALUATION.

If the estimate before given of the present value of the real and personal property of the United States, viz., $23,400,000,000 (currency), be correct, the nominal increase in valuation, since 1860, has been at the rate of $921,700,000 per annum, or 13·4 per cent. of the value of the annual product. In this, however,

is included an increase in the valuation of land, consequent upon the increasing density of population in the older sections of the country, and the annual rapid extension of settlement and civilization over territory before possessed of but nominal or no value. But such a rapid increase in the valuation of this description of property, gratifying as it certainly is in the abstract, does not represent to an equal extent an increase of capital available for reproduction and an active increase of wealth. On the contrary, in all the large cities in the country, especially where the increase experienced in the valuation of land since 1860 has been the greatest, much of the property thus appreciated not only subserves no higher or more useful purpose than before, but the increased value, as represented in increased rents, really becomes a tax upon some classes of production, and decreases the capital available for such purposes.

Making allowance for this element of unproductive land valuation, the Commissioner has been led to the conclusion that the annual increase of active capital in the United States, arising from the excess of production over expenditure, cannot at the present time be considered as in excess of eight per cent. of the gross annual product, or $546,000,000 per annum.*

In presenting this analysis of the valuation, annual product, and annual surplus of the country, the Commissioner has simply responded to a desire, of late most frequently expressed, that some exhibit should be made of the information available on these subjects. For the preparation of an exact statement the requisite data are not at present attainable. Certain elements can, however, undoubtedly be obtained which may be regarded

* If this estimate of the annual surplus of national production over national consumption, available as active capital for reproduction, should appear too small and disproportionate, it should be borne in mind that while the aggregate of the national product is proved by incontrovertible statistics to be very great, there is also no other fact better proved by comparison and observation than that the *per capita* consumption of the people of the United States is larger than that of the people of any other civilized nation. The habits of economy and frugality which necessity has forced upon the masses of the people in other countries are, in general, neither known nor practised in the United States; and all foreigners who visit the United States for the purpose of studying its social economy are particularly impressed with what, judging from their home standpoint of view, seems an enormous waste both in domestic living and domestic manufacturing. As showing, however, that this profusion in consumption is not wholly an unmixed evil, reference is here made to a recent report of M. Mantegazza, a member of the Italian Parliament, on the condition of Italy, in which the opinion is expressed, that one great reason for the physical, commercial, and financial depression of the masses of the Italian people is that they are not sufficiently well fed. "A nation which thinks only far enough ahead to keep body and soul lazily together, has no energy to spare for enterprise, no money for public purposes, no superfluity of heart and strength to put into war or defence.

as approximately accurate; such as the aggregate valuation, according to the census of 1860, and the *per capita* property and the *per capita* product of the nation at that period. The estimates which may be adopted of the increase upon these amounts which has occurred in the ten years which have elapsed since 1860, also admit of verification, to some extent, by comparison with the valuations and estimates arrived at in Great Britain during the past year, where density of population, limited area, and almost perfect machinery for investigation on the part of the government and voluntary associations, allow of the attainment of results far more worthy of confidence than those which can be deduced from similar investigations in the United States, under much less favourable conditions. On such a basis the Commissioner has conducted his investigations, and, without claiming to speak with authority, he submits his conclusions as the best result of much time and labour expended, in which he has been assisted by experts in many of the leading departments of production and industry.

RETARDATION OF NATIONAL DEVELOPMENT.

There are, however, certain departments of this inquiry where we may leave the field of estimate and assumption and deal with what seem to be exact and positive data; and these data, the Commissioner is sorry to say, are not calculated to afford much support to those who are accustomed to indulge in flattering estimates respecting the present amount and existing rate of increase of the national wealth. For example, he would ask attention to the following table, showing the

Total polls, houses, real and personal estate, and taxation in Massachusetts, from May 1, 1861, *to May* 1, 1868, *inclusive, as per statistics prepared by Hon. Oliver Warner, Secretary of the Commonwealth, and published by the legislature.*

	Polls.	Houses.	Personal.	Real estate.	Total value.	Taxation
1861.....	280,855	178,194	$309,307,669	$552,087,749	$861,485,418	$7,600 5 1
1862.....	276,413	1 8,450	315,311,213	543,669 113	858,980,326	8,605,511
1863.....	275,758	183,5?8	343,500,267	553,650,716	897,150,983	10,599,097
864.....	281,220	185,232	324,384,847	577,?98,256	901,883,103	12,876,85?
1865.....	287,655	188 105	386,079,955	605,761,946	991,841,901	16,8?0,332
1866.....	306,9?3	190,439	434,272,298	651,043,703	1,081,316,001	15,694 0?9
1867.....	315,742	195,388	457,728,296	708 165,117	1,165,893,413	19,104,074
1868.....	332,759	200,267	469,775,322	750,7?8,617	1,220,498,939	16,056,193

By an analysis of the above table (which we have every reason to presume is comparatively accurate, errors of valuation

at one period compensating for those of another) we find that the value of the real and personal property of Massachusetts, subject to taxation in 1861, was $3,069 to each poll, while in 1868 it was $3,668, a nominal increase of $600 per head, or close upon twenty per cent. on the valuation of 1861. But the valuation of 1861 was at gold rates, and, therefore, simply to make good the individual average of wealth, the *per capita* of 1868 should have been $4,142 (taking 35 as the average premium of gold for the year for which the last valuation was made), a gain of $1,074. The difference ($474) between this, the gain in price necessary simply to make good the depreciation of the currency and the sum of $600, the whole increase actually realized, marks the falling off in the valuation of the State *per capita*, during the eight years covered by the table. In other words, for every $100 (gold) of property possessed in 1861, there should have been $135 (currency) in 1868, on the supposition that real values had remained stationary. There was, in fact, however, but $119 56.

But an even more noticeable and significant fact, revealed by the above statement, is that the increase in the number of houses in Massachusetts does not keep pace with the increase of population. Thus, in 1861, there were one hundred and fifty-seven polls for every one hundred houses; but in 1868 the ratio was one hundred and sixty six polls to every one hundred houses; or, in other words, the course of affairs in Massachusetts for the eight years, 1861 to 1868 inclusive, has been such that nine polls, or possibly as many heads of families, in every hundred, have been crowded out of houses—deprived by industrial causes of that degree of independence and comfort which is involved in the maintenance of a separate household. Surely, then, in this State, which a recent foreign economist has characterized as the head of the industrial army, we have an apparently unanswerable testimony to the effect that, whatever may be the condition of the rich, the poorer part of the community have certainly grown poorer. A comparison of the valuation of Massachusetts with the whole population leads substantially to the same conclusions.

Thus, the valuation of Massachusetts for 1850 was $597,936,995; the population 994,514—making a *per capita* valuation of about $600. In 1860 the valuation was $897,795,326; the population 1,231,066—making a *per capita* valuation of $729.

In 1865 the valuation was $991,841,901, currency; the population, 1,267,031—making a *per capita* valuation of $783, currency.

In 1868 the valuation was $1,230,498,939, currency; the

population (estimated), 1,289,000 — making a *per capita* valuation of $947, currency.*

This exhibit is the more noticeable because Massachusetts is pre-eminently a State dependent upon manufactures, and it would fairly be supposed that its prosperity might be secured, if that of any State could, by the high degree of protection afforded to its industry by the existing tariff, one of the most severe and rigorous ever enacted for the purpose of creating and endowing a diversified industry.

Without going into so much of detail relative to the facts of appraisement in other States of the Union, the Commissioner would invite attention to the general effect of the following table, which exhibits the assessed value of real and personal property in the States of Rhode Island, Connecticut, Ohio, and Indiana, for the two years 1861 and 1868, and the State of Pennsylvania for the years 1861 and 1865, at which latter date the State tax was taken off from real property, which accordingly is no longer assessed for State purposes. With the exception of the State of Illinois, where, as is generally known, appraisement is habitually kept down by the provision in the State constitution requiring a yearly tax on all property for a purpose which is practically obsolete, these are the only States for which the Commissioner has obtained the figures. As his object merely is to rebut the presumption of an enormous general increase of wealth between 1860 and 1870, a larger collection of facts is plainly not necessary :

State.	Total value of real and personal property, by assessment of 1861.	Total value of real and personal property, by assessment of 1865.	Total value of real and personal property, by assessment of 1868.	Increase. Per cent. of value in 1861.	Gold premium taken.
Rhode Island	$121,118,126	...	$187,697,591	55	35
Connecticut	224,962,514	...	312,574,403	39	35
Ohio	892,850,084	...	1,143,461,386	28	35
Indiana	441,562,339	...	587,970,549	33	35
Pennsylvania	569,049,867	$595,591,994	...	4¾	35
New York	1,441,769,430	...	1,766,089,140	22¼	35

* The note accompanying the above statement, forwarded to the Commissioner from the office of the auditor of the State, adds :

"It will be observed from the above that the increase from 1850 to 1860 was natural and legitimate, while that from 1860 to 1865 was less than would be expected, but for the fact that to that date the prices of our real estate had not risen as they have since, and not at all in proportion to the prices of products. At present, our fixed property is perhaps priced as high as the personal estate, and all should be taken down at least one-fourth to reach the gold standard, making the total $915,374,204, and the *per capita* $700—which is less than in 1860."

From this table it would appear that, so far as the appraised value of real and personal property was concerned, the advance in only two of the States enumerated had been equal to the assumed premium on gold; while, had the exact average of the gold premium for 1868 (39·6) been taken for comparison, only one of these six States would have been found to make good the gold values of 1861—and that the small and rich State of Rhode Island. This calculation, however, has been made without regard to any increase that may have taken place in population during the period. If the latter element were taken into account, probably not one of these States would exhibit any increase in assessed values, while some would fail not only, as above, to make good the values of 1861 in gold, but even to sustain a *per capita* valuation in currency equal to the gold valuation of the period before the war.

At this point it may be proper to remark that the totals of State and local taxes exhibit no such incapacity to make good the figures of 1861. In the three important States of Massachusetts, Ohio, and New York, of which alone the Commissioner has full reports at hand, the totals of all State and local taxes levied in 1868 were, respectively, $16,056,143, $20,489,148, and $44,298,436, against $7,600,501, $11,071,127, and $20,402,276; an increase of 111 per cent. in Massachusetts, 85 per cent. in Ohio, and 112 per cent. in New York.

The Commissioner has not cited these figures of State valuations with the idea that they prove a positive, or even a proportionate, decline in wealth throughout the country during the decade now closing. Something of the remarkable and even paradoxical result exhibited is due to inherent defects in the American system of appraisement, and to the withdrawal of large classes of personal property from taxation; but these statistics, while they would not justify the inference of a decline in wealth, certainly refute the common opinion of an enormous increase during the period in *question*. Whatever they may not prove, they clearly are sufficient to show that the large estimates so commonly made of the present value of property in the United States, as a whole, will not bear the test of an examination in detail. However defective the system of appraisement in most of the States of the Union may be, the same tendency to error certainly existed before the war as now. Indeed, the *motives* to a full appraisement are evidently stronger to-day than formerly, inasmuch as with the vast increase of taxation which has been shown, it becomes necessary for officials in charge either to obtain a larger aggregate of taxable property in the community, or to permit

the rate of taxation to rise to such a degree as to excite animadversion and resistance.

EXISTING AGENCIES TENDING TO IMPAIR THE RAPIDITY OF NATIONAL ACCUMULATION.

But assign whatever of weight we may to the evidence thus presented respecting the retardation of national development during the past decade, there are many circumstances which seem to indicate with certainty that the present accumulation of new capital in the United States, available for the further creation of wealth and values—the result of the annual surplus of national production over national consumption or expenditure—is at a much slower rate than it ought to be, and than it necessarily would be under entirely healthy and natural conditions.

Some of the circumstances which seem to afford such indications are as follows:—

1. *The condition of the foreign trade of the country.*

At the breaking out of the war, in 1861, the distrust felt by nearly all foreigners in the future of the United States was so great that the larger portion of American securities—national, State, and corporate—held in foreign countries, were returned for sale at almost any sacrifice; and to such an extent was this the case that the country in 1863 may be said to have exhibited a clean national ledger in respect to foreign indebtedness. Since this date there have been transferred from the United States to foreign countries obligations which have raised the total of foreign indebtedness to an estimated amount of about $1,400,000,000, which may be classified somewhat as follows:—

NATIONAL SECURITIES.

In regard to the amount of national securities which have been transferred to *foreign* ownership since 1862-63, the Commissioner finds a wide difference of opinion among American and European bankers best capable from experience of forming an estimate; the minimum being, however, from *seven* to *eight hundred millions*. The following estimate, prepared for the Commissioner by the house of Jay Cook & Co., has not only received the approval of some of the largest purchasers of national securities on foreign account in New York, but has also been checked from various other and independent sources:—

Fives of 1871 and 1874	$15,000,000
Sixes of 1881	90,000,000
Five-twenties of 1862	380,000,000
Five-twenties of 1864	30,000,000
Five-twenties of 1865, May & November	120,000,000
Five-twenties of 1865, January & July	200,000,000
Five-twenties of 1867	120,000,000
Ten-forties	25,000,000
Registered bonds of all issues	20,000,000
Total	$1,000,000,000

As substantiating the accuracy of the above estimate, it is to be noted that the earlier issues of United States securities have almost entirely disappeared from the American market, and that transactions are now limited mainly to the issues of July, 1865, 1867, and 1868.

OTHER SECURITIES.

State.—Of State securities held abroad or on *foreign* account the investigations of the Commissioner indicate a sum in excess of *one hundred millions.* The following amounts are returned as positively known to the State authorities :—

Alabama	$1,483,260
Georgia	72,000
Illinois	1,400,000
Louisiana	5,235,933
Massachusetts	12,277,500
Michigan	800,000
Missouri	1,500,000
New York	2,440,999
Ohio	3,500,000
Pennsylvania	9,458,600
Virginia	7,523,500
Total	$45,691,792

This amount, it is to be noted, only includes those issues which have been "placed" abroad originally through distinct State agencies. To it must be added the larger amount which has been from year to year purchased in the American market, and either sent abroad or held here on foreign account.

Railway bonds and shares.—Of railway bonds and shares held abroad or on foreign account, the investigations of the Com-

missioner indicate a total of $130,000,000 of bonds and $113,000,000 of shares.

Of the amount of bonds specified, an aggregate of $61,350,349 has been positively reported to the Commissioner in behalf of fourteen companies.

Of the amount of railway stocks specified, seven companies return an aggregate of $83,449,800. A detailed statement of this element of our foreign indebtedness would be given had not the information been communicated under a pledge that the details should not be made public.

For the companies which have not reported the amount of their stocks and bonds held abroad, estimates have been carefully prepared for the Commissioner by the best authorities on this subject. The character of these statements and the representations which accompanied them is such as to satisfy the Commissioner that the aggregate given above, namely, $243,000,000 of stocks and bonds, is not an over-estimate.

Miscellaneous Securities (partially known and partially estimated.)

Municipal bonds	$7,500,000
Canal bonds	5,063,967
Mining shares and bonds	10,000,000

A careful estimate of other forms of foreign indebtedness on November 1, 1869, gives the following additional elements :—

Capital lying in the United States in consequence of the comparatively low rate of interest in Europe—credits, bills of exchange, &c.	$50,000,000
Cuban moneys temporarily transferred in consequence of the revolution	25,000,000
Foreign capital invested in mortgages of real estate, &c.	25,000,000

Recapitulation.

State bonds	$100,000,000
Railway bonds	130,000,000
Railway shares	113,000,000
Mining bonds and shares	10,000,000
Municipal bonds	7,500,000

Miscellaneous bonds and shares.....	$5,000,000
Capital temporarily invested.....	50,000,000
Cuban moneys	25,000,000
Real estate mortgages, &c.....	25,000,000
Total	$465,500,000

Adding $1,000,000,000 of federal securities held abroad, as before estimated, we have, as the total of the present foreign indebtedness of the United States, the sum of $1,465,500,000; on which, at an average of 6 per cent., an annual payment of interest accrues to the amount of $87,930,000; and of which $80,000,000 may be estimated as paid regularly.

ADVERSE FOREIGN BALANCE FOR 1868-69.

But enormous as is this sum, the process of incurring indebtedness still continues as actively as ever. The account of the United States with foreign countries for the fiscal year ending June 30, 1869, may be exhibited substantially as follows:—

Imports of merchandise, gold value...		$417,371,765
Exports (gold values) ...	$275,611,591	
Re-exports, &c.....	10,907,753	
		286,519,344
		$130,852,421
Less excess of foreign goods, in bond, 1869 over 1868		14,702,079
Adverse balance 1868-69 merchandise account		$116,150,342

Movement of Specie and Bullion.

Exports	$42,915,966
Re-exports	14,222,414
Total	$57,138,380
Imports	19,654,776
Loss of specie and bullion.....	$37,483,604

If we suppose the excess of specie and bullion exports to have been devoted exclusively to the liquidation of balances incurred on the merchandise account, the remaining balance on this account to be settled for in some other manner would be $78,666,738.

To this sum must be added the following other items:—

Obligations for interest (paid), estimated	$80,000,000
Excess of freights carried in foreign bottoms *	24,000,000

* The following table exhibits the proportions of the total trade of the country for each year, 1859-1869 inclusive, carried in American and in foreign vessels, respectively, with the gain to the United States or to foreign nations from the excess of freights carried in each year:—

Year.	Imports, exports, and re-exports.				
	Total trade.	American vessels.	Foreign vessels.	Preponderance of foreign.	Gain to foreigners, calculated at 8 per cent. on gross excess.
1859.....	$695,557,592	$485,741,381	$209,816,211	a$235,925,170	c$18,874,014
1860.....	762,288,550	507,24 ,757	255 040,793	a252,206 964	c 20,176,557
1861.....	530,569,412	350,827,256	179,742,156	a171 085,100	c 13,686,808
1862.....	435,710,714	217,695,418	218,015,296	319,878	25,590
1863.....	584,9 8,502	241,872,471	343,056,031	101,183,560	8,094,685
1864.....	669,855,0 3	184,061,486	485,79 ,54	: 01,732,062	24,138,565
1865.....	571,131,290	146,067,245	425,064,045	2 8 906,800	22,319,744
1866.....	1,003,066,748	324,141,463	678,925,285	354,783,822	28,382,705
1867.....	873,064,84	b296,1 0,912	b576,9 2,9 8	280 823,016	22,465 841
1868.....	848,527,647	2 7,981,573	550,546,0 4	252,5 4,501	20,205,1 0
1869.....	876,364,060	288,916,927	587,447.13	298,530,206	23,882,416
				$1,868,933,845	$ 5

a Excess of American over foreign. b Partly estimated. c American gain.

The proportion which the cost of freights sustains to the value of goods transported varies of course greatly with the kinds and qualities of goods, and the distance over which they are moved. On tea and coffee, bought with foreign bills of exchange, the estimate prepared for the Commissioner by experts is 5 per cent; on sugars and molasses the average is given at 12 per cent.: on general dry goods and merchandise 8 per cent.; on wool and hemp, 10 per cent.; on pig iron and coal, 15 to 20 per cent.

In this connection the Commissioner would state that the estimates made for him by experts of the loss to the country from the almost complete annihilation of the large carrying trade formerly enjoyed by American vessels between foreign ports, as from the East Indies and other ports to Europe, and from our non-participation in the emigrant and other passenger-carrying trade reach nearly twenty-four millions of dollars additional.

Expenditures of Americans in foreign countries*	$25,000,000

Assuming that the sums chargeable to smuggling and undervaluation of imports are counterbalanced by the undervaluation of exports,† the sum total of the adverse balance of indebtedness of the United States to foreign countries will, at the present time, probably average about $210,000,000 per annum.

To meet and settle this constantly increasing and adverse balance there would seem to be, under the present condition of prices and cost of production in the United States, but one resource, viz., to remit certificates of indebtedness—national, State, or corporate. And this process is undoubtedly adopted, and goes on, month after month and year after year, without occasioning thus far any marked disturbance in the trade and commerce of the country.

Now, whether so great an exchange of evidences of indebtedness for foreign commodities or foreign services is advantageous to the country at large, or how long such a method of liquidating balances can continue, are questions which it is not necessary to immediately consider, inasmuch as we would rather direct attention at this point to the fact that, while before the war we were able to wholly pay for our foreign imports and services with the products of our own industry, including, after the discovery of California, and up to the beginning of the war, such a proportion only of our product of gold as it would have been practically useless and even mischievous for us to retain, we are not now so doing; and this latter circumstance would seem to prove beyond question that the aggregate of national

* The average number of citizens of the United States who arrived as passengers in the country for the four years 1865 to 1868, inclusive, was in round numbers thirty-seven thousand. The present average number of foreigners arriving in the United States, and not intending to remain, is about twelve thousand per annum, leaving an apparent excess of Americans over foreign absentees of about twenty-five thousand. If we assume one thousand dollars as the average expenditure of each from the time of leaving the United States to the time of returning, the total annual expenditure thus incurred by citizens of the United States in foreign countries would be, approximately, twenty-five millions of dollars.

† If we confine ourselves to the comparison of the values given to imports and exports, respectively, in previous years, this may be considered a reasonable estimate; but for the last fiscal year it is certainly not the case. Under the present organization of the Bureau of Statistics, the values given to the exports of the country have been scrutinized and verified to such an extent as to leave but little doubt that the statement for the last year is substantially accurate and complete. The fraudulent undervaluation of imports, however, it is not within the power of such an agency to prevent.

production does not maintain the same proportion as formerly to the aggregate of national consumption.

It must not be forgotten, furthermore, that by the remittance of bonds we have simply deferred payment, and must hereafter export products to meet these obligations; and whenever such export of products in payment for past imports shall be made, it will of necessity be in addition to the export then made to pay for current imports. Product for product is the absolute condition on which alone commerce is possible.

DIVERSION AND DEMORALIZATION OF INDUSTRY.

Another circumstance which indicates a change in the ratio that formerly existed between national production and national consumption is to be found in the fact that during the last few years large numbers of our population, under the influence and example of high profits realized in trading during the period of monetary expansion, have abandoned pursuits directly productive of national wealth, and sought employments connected with commerce, trading, or speculation. As a consequence we everywhere find large additions to the population of our commercial cities, an increase in the number and cost of buildings devoted to banking, brokerage, insurance, commission business, and agencies of all kinds, the spirit of trading and speculation pervading the whole community, as distinguished from the spirit of production, and all the external appearances of healthful activity. These things, however, are not to be regarded as the legitimate growth of a really sound commerce, but rather as the results of influences which have originated almost exclusively in currency inflation. But be the cause what it may, one thing is certain, viz., that national production has suffered in consequence; *directly* by the withdrawal of labour from productive to unproductive or less productive employment, and *indirectly* by infusing a spirit of discontent among those who, by the force of circumstances, are compelled to earn subsistence in agriculture or the mechanic arts, thereby impairing both the quantity and quality of the products of their industry. A most intelligent observer, the superintendent of one of the largest manufacturing establishments in the middle States, thus writes to the Commissioner:

"Those who observe the labourer find that he shows less and less interest in the work he performs, his only anxiety being to hear the bell announce the hour of his discharge from labour."

Another, superintendent of an extensive manufacturing company, in answer to a question as to the comparative amount

of work performed by mechanics and labourers in 1860 and 1869, submits the following statement:

"*October* 1, 1869.

"In reply to your favour of the 29th, I would say that I now employ seventy-eight men as mechanics, some of them in building (new machinery), but most of them in the way of ordinary repairs. It is impossible for me to state accurately the quantity of work done by them as compared with what would have been accomplished by an equal number of mechanics in 1860, but I think it quite safe to say it is *twenty-five* per cent. less. This difference is occasioned in part by a feeling that they are less favoured regarding the hours of labour than mechanics who are employed by the government, but chiefly because many of them are not really mechanics, having never served as apprentices, and lack the skill which would have secured such employment when help was more abundant."

With a view of obtaining further information concerning the relative product of labour in 1869 as compared with 1860, the following question was appended to a circular (relative to wages) extensively forwarded by the Commissioner to the largest and most intelligent employers of labour in different sections of the country: "*Please state whether in your opinion mechanics and labourers perform as much work in a day now as formerly.*"

The following is an abstract of the answers returned, the names of the parties or firms making the same being omitted:—

Maine, Portland.—"No, surely;" "and yet they do all they get pay for"—"the row the mechanic now hoes is a hard one."

New Hampshire, Manchester.—"Only about two-thirds as much."

Connecticut, Bridgeport.—"Mechanics perform more, on account of the improved machinery, and labourers less."

Massachusetts, Worcester.—"I think we don't get as much work as formerly by fifteen per cent." *Milford.*—"I think five men did more work in 1860 than six men do now." "Good hands more scarce now than at that time."

New York, New York City.—"I think they perform from one-fourth to one-third less work since than before the war." *Buffalo.*—"Twenty-five per cent. discount." *Troy.*—"No, not by fifteen per cent. in the average." *Albany.*—"Three stone-masons or bricklayers will not do as much as two did formerly."

New Jersey, Jersey City.—"They do not perform more than two-thirds as much as formerly."

Pennsylvania, Lancaster.—"As much as before, since the ten-

hour system has begun." *Philadelphia.*—"Three men do the work of two."

Ohio, Cleveland.—Three responded in the negative, and one to this effect: "We think they do now, but there was a time, for two to six years, when they did not." *Cincinnati.*—"No." *Dayton.*—"No."

Missouri, St. Louis.—"No, by fifteen to twenty per cent."

Illinois, Chicago.—"One-eighth less."

The Commissioner would further add, that of the answers received, as above, about one in nine indicated that the amount of work performed in a given time, in 1869, compared favourably with that performed at former periods.

The following statement, furnished to the Commissioner by the proprietor of the Morgan Iron Works of the city of New York, also indicates a change in the productiveness of labour in this department of industry which it is to be hoped is somewhat exceptional. Thus, in 1858, a marine engine was built at the above works, at a cost of $23,000 (including profit to the builder), which required 2,323 days' labour. In 1869 another engine, precisely similar as respects pattern and weight, was constructed at the same works on contract, for $40,000. The result was a loss to the builder of $5,000 and a necessary expenditure of 3,538 days' labour, or 1,215 more days' labour than was required for the performance of the same work eleven years previously.

Here, then, are certain facts which the Commissioner, in the discharge of his duty, is bound to make public. The labourer appears to be less worthy of his hire than heretofore, and to have lost his interest in his work. If an explanation of the cause is demanded of the Commissioner, he can return but this general answer: because a vicious currency and unequal taxation take from the labourer a portion of the result of his work, and give him no return. The labourer feels this, but knows not the cause, and seeks in strikes, in eight-hour laws, and trades' unions the artificial remedy, where the natural remedy would be simply to restore to him good money, an honest measure of value, and such laws as will secure equitable distribution of the surplus of annual wealth which results from the excess of production over expenditure.

Again, the general result of the business of the last fiscal year to the merchants and manufacturers of the country is thus expressed by a recognized industrial authority:

"Those who, at the end of the fiscal year, have made a living and have their capital unimpaired, should be content, for they will be doing better than the majority."—*Iron Age*, June 24, 1869.

LOCAL DECREASE IN FARM STOCK AND ANIMAL PRODUCTS.

The undoubted decrease in farm stock and animal products in certain sections of the country also indicates a change, to at least a limited extent, in the relations which production formerly sustained to consumption and population. Thus, in the State of Ohio, for whose domestic statistics a greater degree of accuracy has been claimed than for those of any other State, the official report for 1869 states that, comparing this latter year with 1868, the whole number of sheep has decreased 1,416,295, or from 7,688,845 to 6,272,640; the hogs 356,629, or from 1,812,572 to 1,455,943; the cattle from 1,512,666 to 1,492,581; and the mules from 25,411 to 25,020. In respect to sheep generally, extensive returns published by the Department of Agriculture, conclusively prove a very large decrease in almost every section of the country. This decrease for the year 1868-69 is estimated by the Bureau at not less than 4,000,000; while others competent to judge report to the Commissioner that the reduction in the whole number of sheep in the United States within the last two years has been at least twenty-five per cent. In one of the leading wool-growing States of the West, the wool clip for 1869 is estimated at thirty-five per cent. less than that of the previous year, 1868.

RELATION OF CAPITAL TO PRODUCT.

Another agency which has powerfully contributed to impair the productive forces of the country, and is still most influential, has been the great increase which has taken place since the commencement of the war in the amount of capital and cost of the instruments requisite for the prosecution and development of industry. It is not necessary to here inquire as to the causes which have contributed to produce this result; but to simply recognize the fact, which, however, is so patent as to hardly need demonstration. Nevertheless, the demonstration is afforded by the experience of every business man, who knows that the employment of capital to the value of two dollars currency is necessary to return the same product which in 1860 was afforded by the employment of one-half of that amount.

For example, in the case of the cotton manufacture, the mill and machinery which could have been put in operation at a cost of $15 to $17 per spindle, in gold, in 1859-60, would now cost $30 to $33 in currency. If we deduct twenty-five per cent. for the depreciation in the currency, we have the ratio of real or

specie capital now required, viz., $22 50 to $24 75 per spindle, or an advance of fifty per cent. The direct tax, therefore, upon the community, from the required increase of capital in this department, estimated at seven per cent. per annum, is from fifty-two to fifty-three cents per spindle each year, or a sum which would have paid more than three per cent. per annum profit upon cost per spindles in 1859–60. Indirectly a still greater loss to production is caused by the fact that the additional capital thus employed is taken away, or kept away, from other and perhaps equally important industries, which are thereby limited in growth.

A further illustration of the injurious influence of the increased cost of a given product of industry, thereby necessitating the employment of a largely increased capital, neutralizing the influence of improved machinery, diminishing exports and restricting home consumption, is to be found in the manufacture of boots and shoes. Thus, in 1858 the average price per case of one-half-dozen men's "standard legged" boots was $27 25 —six months' credit. In 1868, notwithstanding the introduction and employment of new and improved machinery and processes, whereby the *per capita* product of each workman, with a given amount of manual labour, has been increased upwards of twenty-five per cent., the price of this number and style of boots is $41 net cash, or fifty per cent. greater.

But in addition to the direct influence exerted in impairing the productive forces of the country, the recent unnatural increase in the cost of capital requisite for the prosecution and development of industry has also been productive of another effect, which cannot be regarded as other than prejudicial to the interest of a people living under a democratic form of government, and also to the very existence of such a government itself. This is, in short, the greater subordination of labour to capital, through the hindrances which increased cost interposes to the speedy attainment on the part of the labourer of that amount of capital which is necessary to enable him to take a position as an independent producer. Hence the rapid concentration of the business of manufacturing and of exchanging into single and vast establishments, and the utter annihilation of thousands of little separate industries, whose existence was formerly a characteristic of all the older sections of the country. To a certain extent, concentration of industrial production, by promoting method, system, and division of labour, and thereby reducing the cost of product, is undoubtedly beneficial; but when the growth of such a system is unnaturally fostered through the necessities rather than the free will of the labourer, the result cannot be otherwise than to render the many depen-

dent for all the elements of their livelihood upon the will of a few rather than upon their own.

One word further is needed to present this influence of the increased requirement and cost of capital in its true light, and it is this: that it makes no difference for the time being to a community, whether the diminution of the power of capital—meaning thereby tools, food, clothing, building material, as well as money—to develop industry is effected through the agency of fire, flood, earthquake, or other physical disaster, or by the agency of legislation, which so operates as to augment the value and cost of all the instrumentalities through which the aggregate of production is facilitated and cheapened. The evil of the increased cost of all capital involved in production, or, what is the same thing, the direct increased cost of production, is one, moreover, that is not limited in its influence to the immediate present, but inevitably entails a heavy burden upon the future.

A pertinent illustration of the manner in which circumstances at present increase the cost and requirements of capital, and also tend to convert active into fixed capital, is afforded by the following incident recently brought to the attention of the Commissioner. In a block of stores now erecting in one of the leading seaboard cities the expense of the glass (imported) used in the same is $29,000 (currency.) An analysis of this expenditure shows that one-fourth of it, $7,250, represents simply depreciation of the currency; one-third of the remaining cost, or $7,250, represents the duties imposed on its import; leaving $14,500 as the foreign cost of the material, *plus* the expenses of transportation, profits, &c. Now, without discussing the propriety of levying a tax upon this article to meet the necessities of the government, it unquestionably remains true that the whole of this increase of price, amounting to one hundred per cent., will remain so long as these stores stand, a tax on all the industry to which they are made subservient, and also indirectly upon other industries, by diminishing the general supply of capital available in the country, and hence increasing its cost.

UTILIZATION OF NATIONAL RESOURCES AND ADVANTAGES.

A sufficient answer to the question whether the resources and privileges which have accrued to the United States through its inheritance of soil, climate, race, and government, have been utilized to the best advantage, is to be found in the fact that, while as a nation we possess the greatest area of fertile and cheap land, unrivalled means of intercommunication, and the freest and most popular form of government, domestic production, as

measured in price, is nevertheless carried on and maintained on terms of less advantage to the consumer than is the case in any other kindred and competing nation; a few articles for which, through natural circumstances or peculiar inventive skill, a marked advantage has been acquired, like cotton, petroleum, the precious metals, sewing machines, and fire-arms, being excepted.

The United States was formerly, and is likely soon again, to be the main source of the supply of that fibre essential for the cheap clothing of all nations, and its transportation in a crude form to the seats of European manufacture involves nearly as much labour and capital as are requisite for its home manufacture in localities contiguous to the points of its production. Yet the export of American manufactured cotton to other countries does not increase but diminishes, being for the fiscal year 1869 only $5,871,000, currency, as compared with a gold value of $10,934,000 in 1860, nominally one-half, but really one-quarter in quantity. In his last report the Commissioner stated that the opinion of experts communicated to him on the subject was to the effect that if the American manufacturer could be put upon the same basis as his foreign competitor, as regards direct and indirect taxation, cost and excellence of machinery, and would bring to his business the same skill and economy, he would be enabled to produce cotton cloth, and yarn of No. 25 and under, at a cost which would enable him to undersell all other producers. A revision of these data, made for the Commissioner during the past year by a different but equally trustworthy authority, leads to the more definite conclusion that the export of cotton goods and yarns of low numbers, the staple of consumption, could be immediately and greatly enlarged if a reduction of cost equivalent to fifteen per cent. in the prices of labour could be effected; but at the same time it was added, "that as the labourer now received but little more than was sufficient for his bare subsistence, owing to the high prices exacted from him for his food, fuel, clothing, and rent, to talk of such a reduction of wages would be both inhuman and useless." But the Commissioner sees that the high prices of food, fuel, clothing, and rent are due to causes which can in a great degree be removed by legislation, and until some steps are taken in this direction the resources of the country, in respect to this one great industry, are certainly not used to the best advantage.

Again, the country desires, and believes it expedient, that another great leading branch of manufacturing industry, viz., that of wool, should be extended, diversified, and cheapened; and men in the possession of the required skill and capital stand ready to engage in new enterprises, and enlarge the

varieties of production did circumstances favour. But circumstances do not favour, mainly because a paternal government has seen fit to ordain that the American manufacturer shall not have that which the manufacturers of all other nations enjoy, and which the chairman of the commissioners of the United States to the wool and woollen department of the Paris Exposition of 1867 has officially declared to be of "immeasurable advantage," viz., "an unlimited supply of every variety" of the raw material. The manufacture of woollens in the United States, therefore, from this and other obstructions created by legislation, so far from being encouraged, is depressed; wool returns to the grower a lower price in gold than has almost ever before been experienced; the exports of manufactured goods declined sixty per cent. within the last fiscal year, and amounted in the aggregate to the paltry sum of only $160,000, as compared with a British export of the same commodities of $129,000,000; while the importations of woollens into the United States for the same period increased from $32,458,884 to $34,620,943, mainly in the very descriptions of goods which Congress has practically declared the American workman shall not attempt to manufacture.

Let us inquire further in this direction. A boot or a shoe could be manufactured quicker, cheaper, and better in the United States in 1858 than in any other country; and since this period, the improvements in machinery and processes have been such that twenty-five per cent. more product results from the labour of each workman; and to such a degree of rapidity and perfection has the process of manufacturing been systematized that a man or woman may be measured and fitted with a pair of shoes, and made expressly for them, during the time taken for an inspection of the machinery and working of the factory. Boots and shoes, however, cost more in gold, under the new system, in 1869, than in 1858, under the old; and other nations not producing but consuming these products exchange the products of their own labour for boots and shoes manufactured elsewhere, thus depriving the American shipowner of his carrying trade, the American manufacturer of his profit, and the American workman of his employment. The manufacture of boots and shoes, therefore, so far from being encouraged, is limited; the export value declined from $1,329,000 in 1863, to $681,705 in 1867, and $475,050 in 1869. There being, moreover, more workmen desirous of manufacturing boots and shoes than are necessary to supply a consumption limited to our own country, steady and constant employment is not afforded for the whole number. Trade, therefore, is irregular; production stops short of its most profitable maximum, while the cost of manufacture

is maintained, from this cause alone, above its most profitable minimum.*

If we turn next to one of the smaller branches of domestic industry, we shall find that the United States is in the exclusive possession of machinery which can manufacture combs, piano-keys, and other articles from ivory, cheaper than can be done elsewhere. But the United States does not sell these products of their own industry to other nations, and mainly because the price by which ivory has been increased, in accordance with certain supposed national necessities, has been sufficient to counterbalance all the advantages which would otherwise have accrued from the exercise of American skill and ingenuity.

A multitude of other similar illustrations might be given; but those presented will sufficiently prove that in many respects the United States does not use the advantages it possesses in the best possible manner, and that if we annually increase in national wealth, it is rather by reason of our great natural resources, than from the intelligent direction through legislation of our national economy. If in the above statements too much significance should appear to be attached to the possession of an export trade, it should be remembered that *no country can export an article or product to any extent unless it is prepared to sell the same as cheap as other nations; and therefore the ability or inability to export becomes a true test of the ability or inability profitably to produce for the domestic market.*

DISTRIBUTION OF THE ANNUAL NET PRODUCT OF LABOUR AND CAPITAL.

We come next to the consideration of the question whether the influence of existing laws tends to promote such a distribution of the annual products of labour and capital, as best subserves the interests of the whole people; but before endeavouring to apply to this subject anything in the nature of an immediate practical test, it seems desirable to review briefly the theory and practice of the past.

Production and consumption are the conditions of terrestrial existence; but it is not necessary, owing to the bounty of nature, that all who consume should take upon themselves the labour of direct and original production in order that all should exist.

* Reference is here made to the detailed statement in another part of this report, by which it appears that the cost of boots and shoes is enhanced eight per cent. by the taxes on the materials actually entering into the production; to say nothing of the indirect taxes on the food, fuel, clothing, and shelter of the work-people, which must of necessity be made good to them in their wages, and hence appear again in the cost of their product.

Humanity, therefore, from the first has spontaneously divided into two classes, whom we may designate as "producers" and "non-producers." *

Of all those who are in the receipt of any form of income from capital or wages, the original producers include the larger number and the slower minds; the non-producers the smaller number and the more active minds.

The proper field of labour for the so-called non-producers lies between production and consumption; their labour is in fact the complement of the labour of production, exchange of products being necessary to the full fruition of productive labour, and beneficial to both producers and consumers. Up to this point there is unity of interest in the labour of the two classes, but here their interests separate and lead to antagonism.

The gains of the producers are derived directly from their own labour; but the gains of the non-producers, it is to be noted, are derived from the labour of the producers also. The producers create the property, and the non-producers come in to share it. One class naturally strives to keep and the other to get as much of the results of original production as it can; and in this struggle the more active minds get the better of the more sluggish, and the few grow rich, while the multitude remain poor.

In the *first stage* of society, property can hardly be said to exist, or exists in common. In the second stage, individual rights appear, but property is to a great extent transferred by force, and laws are devised to suppress force and prevent robbery. In the third stage, violence being checked, theft and fraud appear, and laws are made to prevent fraud. Robbery and plunder at first were more honourable than labour; they were the chief glories of the ancient heroes whom we are taught to admire before we are old enough to have attained to any clear perceptions of the principles of morality. Theft and fraud in turn became more honourable than plunder.

We come now to the fourth stage of society, where the grosser methods of transferring property diminish, and cunning comes in to take their place. This is the stage we now occupy. We have advanced no further, and have yet no laws to prevent transfers of property by cunning, artifice, or trickery. These methods indeed begin to be opposed by public opinion, but that tribunal still applauds as often as it condemns; just as formerly it sanctioned oftener than it censured violence.

There is, however, some progress; and at this stage, let it be observed, the labour of the non-producers becomes the complement of the labour of the productives in a higher degree; more

* More properly, "indirect producers."

fully adding to the value of their products, and benefiting both producer and consumer by improved methods of transport and conversion, and by more just and reasonable methods of exchange and transfer. The unproductives are still animated by their ancient spirit, and being the chief makers of the laws and institutions for the protection of labour and ingenuity, the increase of products, and the exchange and transfer of property, they shape all their devices so cunningly, and work them so cleverly, that they, the non-producers, continue to grow rich faster than the producers. Whoever at this day watches the subject and course of legislation, and appreciates the spirit of the laws, cannot fail to perceive how more and more the idea of the "*transfer*" of the surplus product of society, and the creation of facilities for it, available to the cunning and quick as against the dull and slow, has come to pervade the whole fabric of that which we call government, and how large a number of the most progressive minds of the nation have been led to accept as a fundamental truth in political doctrine, that the best way to take care of the many is to commence by taking care of the few: that all which is necessary to secure the well-being of the workman is to provide a satisfactory rate of profit for his employer. The agitation which now pervades all civilized countries (fourth stage) touching the relations of labour and capital, is but the instinctive uprising of the great productive classes against the institutions, methods, and devices of the non-productives. In short, the ancient combat, old as the dawn of civilization, still goes on; animated on the one side by the desire to keep, and on the other by the desire to get; the producers combining rather blindly and clumsily against the schemes of the unproductives, as they combined at successive stages in all past history against violence, robbery, plunder, theft, fraud, and the grosser acts whereby property was transferred from the hands of the many into those of the few.

PRACTICAL ILLUSTRATIONS.

Let us now see how far experience, in the form of positive facts, furnishes support to the general statements above presented; for there can be *no true* theoretic conclusions which will not be proved by the facts whenever the theory can be subjected to practical and actual application.

In a former report (January 1869) the Commissioner stated, as the result of extensive investigations into the industrial and social condition of the people, that the tendency of affairs in the United States was toward an inequitable distribution of the

annual surplus of production over expenditure, and to impair the power of the masses to accumulate property and better their condition. These conclusions were supported by a large amount of evidence drawn mainly from the older and more densely populated sections of the country, and contributed in great part at the cost of no little time and trouble, by extensive employers of labour occupying situations which afforded especial advantages for eliciting and determining the truth. The results arrived at, although often questioned, and denied on the floor of Congress and elsewhere, have never been refuted by the presentation of any corresponding rebutting evidence; but on the contrary have been strengthened in the time which has since elapsed by a large amount of additional testimony. Some of the difficulties which may seem to stand in the way of the acceptance of the assertion heretofore made, and which the Commissioner now repeats and again asserts, viz., that the poor of the United States, under and in consequence of the existing system of taxation and currency condition combined, tend to grow poorer, may possibly be cleared away, by remembering that the poor of this country are not, and never have been, the same as a class as the poor of Great Britain and Continental Europe. Here, poverty, as a general thing, means deprivation of comforts and luxuries; there, on the other hand, poverty reaches a lower depth, and implies the deprivation of necessities and the possibility of starvation. Now the expression "the poor of the United States under the existing system tend to grow poorer," in its widest signification means this: that the great majority of professional men, of clerks, shopmen, and accountants, of whole classes of mechanics whose products, the results of constant employment, would naturally tend to be in excess of a consumption limited by legislation to an exclusively domestic market, and even there restricted by price, such as shoemakers, tailors, hatters, and miners, and at the present time paper-makers, and wool and cotton-spinners and weavers; all females who earn a livelihood in factories, in shoe-binding and stitching, and in ordinary sewing; and finally all those who have only unskilled labour in its rudest forms to sell—it means that all of these, who constitute a large proportion of the population, find their expenses for rent, fuel, food, and clothing maintaining a greater ratio to their receipts than formerly. As an inevitable result, accumulation is impaired and comfort diminished. Appearances, however, are maintained; hence the illusion of apparently undiminished prosperity. Yet there is no escaping the conclusions before arrived at if we pay any regard to the weight of evidence. Of this evidence a few examples may be cited.

In Massachusetts, as we have already shown, nine more polls

were crowded into every hundred houses in 1868 than was the case in 1861.

Those conversant with the manufacture of cotton, of boots and shoes, and of hats, in the United States, state that the former average *per capita*, and even the average absolute domestic consumption of these products, is not maintained ; and, if we except the southern portion of the country, that their consumption during the past year has noticeably diminished.

In the frequent fluctuations in the prices of cotton cloth which have taken place since the termination of the war, it is seen that the moment price falls below a certain point consumption enlarges to such an extent as to immediately relieve the market of all surplus ; thus proving that millions of our people, for the greater portion of the time, are constantly restricting themselves in the use of what is the cheapest and most indispensable of all fabrics. And the same is true, also, of woollen goods, boots and shoes, coal, and lumber. If the existing machinery of production is worked to its most profitable maximum, the community, at present prices, cannot use the product; so that it becomes the alternative either to restrict consumption within limits most undesirable, or else to break down the market at short intervals through an excess of products which cannot be disposed of except at a sacrifice, which involves severe and often permanent injury to capital, from which, by its necessary relations, labour in turn must suffer.

The answers to a large number of circulars sent out by the Commissioner during the past year to clergymen, teachers, and other professional men, lead to the conclusion that, while their salaries or incomes have, as a general rule, been advanced since 1861, the advance has not been equal by any means in extent to the advance in the prices of commodities. The evidence, therefore, is conclusive as regards this large and important class of our population, that the comforts and luxuries of livelihood have seriously diminished.

Again, the returns of savings banks are often referred to as showing a highly prosperous condition of the masses. Properly considered, however, they indicate a very different state of things. Thus, the first and almost the only fact which attracts the attention of a mere superficial observer in examining these statistics, is a large apparent increase in deposits from 1860 to 1868 or 1869. But an intelligent examination will at once show that a very great part of the apparent accumulation referred to is mere inflation. For example, let us take the case of Massachusetts, where the conditions for increase would seem to be most favourable :

In 1860 the savings-banks deposits in this State were, in round numbers...	$45,000,000
In January, 1869, in currency, $95,000,000, or in gold at 133.....	71,000,000
Increase in eight years.....	$26,000,000

or six millions less than the aggregate deposits of 1860 would have amounted to, in the same time, at a compound interest of seven per cent.; or, in other words, the deposits of 1860 were not made good in 1869 without reference to the increase of population, even if we reckon only their natural increase at compound interest. It is evident, therefore, that some cause has eaten into the accumulation which existed eight years previously, and has occasioned the withdrawal of a portion of that accumulation. Of course it was to be expected that withdrawals would take place; but in an ordinary condition of affairs the new deposits would certainly equal the withdrawals, and, in an advancing condition, would greatly exceed them. Now in Massachusetts, certainly, we do not find this to be the case. On the contrary, the labouring classes, so far as they are represented by the depositors of 1860, have not been able to keep at interest the sum (reckoned in gold) which at that time they had earned and laid by. They have either been less frugal or more unfortunate than was in 1860 fairly to have been expected.

In the State of New York the returns of the savings banks indicate a condition of affairs not substantially different from that which has been shown to exist in Massachusetts. Thus:

In 1861 the savings-banks deposits of this State were, in round numbers...	$67,000,000
In 1868, in currency, $169,000,000, or in gold at 133	127,000,000

or only $12,000,000 more in eight years than what the aggregate of the deposits of 1861 would have amounted to had they been simply left undisturbed, for the same period, to accumulate at compound interest. And notwithstanding the exhibit of the census of that State for 1865, no intelligent person can doubt that the population of New York has increased in a still greater ratio during the period referred to.

If it be objected that it is not fair in this comparison to

reduce currency to gold, or that a dollar is always a dollar, the Commissioner would call attention to the fact that if the comparison were to be drawn between the *purchasing power* of these deposits in 1860 and 1868–69, respectively; that is, as to the amount of comforts and luxuries which they would command at ordinary retail prices, the comparison would be found still less favourable than is obtained by reducing currency to gold.

But interesting and conclusive as are the statements submitted in respect to savings banks, the story is yet but half told. Formerly the deposits in these institutions represented in great part the hard-earned accumulations of persons who were entirely dependent for support upon the wages received for the performance of daily routine labour—such as operatives in factories, day labourers, mechanics, needlewomen, clerks, and small traders. Now, on the contrary, all the evidence tends to show that exactly the contrary condition of affairs has been established.

In short, the recent increase of savings-bank deposits in the eastern States is chiefly due to the fact that they are more lightly taxed than any other kind of invested property.*

* This point is well illustrated by the case of Massachusetts. Until recently the tax on the savings-bank deposits in that State was only one-half of one per cent., and as the investments of these institutions were profitable, being very largely in United States bonds and bank stocks, the depositor received a net increase of seven per cent. without risk or trouble. The consequence was that a new class of people, for whom the savings banks were never designed, and who had no right to avail themselves of their eleemosynary character, began to use them, and to deposit the largest sums which are permitted to draw interest. That amount in Massachusetts is required to be less than $1,000 standing to the credit of one person: but to avoid this, deposits are made in the names of the wife and minor children, until they often amount to several thousand dollars. More palpable violations of the law than this are also resorted to or permitted by some institutions which, when the depositor's account reached the legal limit, allowed him to open another, and still another, in his own name, the pass-books being numbered 1, 2, 3, &c. The single fact, therefore, of a recent rapid accumulation in the deposits of savings banks "does not of itself," to use the language of the Bank Commissioners of Massachusetts in their report for 1867, "afford any evidence that they are performing the benefical work expected of them."

An instance may be given of one savings bank in the interior of that State, which having four or five years ago some $200,000 of deposits, was taken in hand by a retired capitalist anxious to develop its possibilities, and in the short space of three years carried up to a capital of $700,000, the accumulations being all drawn from the population of an agricultural district. This result was accomplished by a process of active solicitation through the press, and by printed circulars calling on the people to bring in their money, and promising to pay seven per cent. for it free of taxes.

Another circumstance which has tended abnormally to increase the capital of savings banks is the dearness of real estate and of such stocks as were generally within the reach of this class of investors. Once a few hundred dollars would purchase for a mechanic or labourer a decent house: but such has been the increase of prices, resulting from a depreciated currency and high taxation, that a far larger sum is now required to purchase a home, and, when it is obtained, the taxes and repairs on it are a heavy burden. Thus the savings bank has become the depository of funds waiting for the return of better times—of lower prices and settled values. It certainly cannot be regarded as a symptom of healthy social condition when the labourers of the country are in this manner prevented from acquiring homes for their families and an established interest in the country and its prosperity.

The following representation of the condition of operatives engaged in the boot and shoe industry of Massachusetts, copied from the columns of the *American Workman* of July 3, 1869, is indorsed by the chief officer of the Crispin organization of Massachusetts as "true, every word of it:"—

"We know full well that the boot and shoe workmen as a class are, and have been for several years, suffering at certain seasons of the year from a lack of steady employment, and from a rate of wages that can scarcely be called remunerative. That their condition is one that calls for relief no one that is acquainted with it will deny: a few individuals, favoured by peculiar circumstances, have been able to earn at times four, five, and six dollars per day; but for every one who has earned four dollars per day there have been ten equally deserving workmen who earned less than half that sum. We know of towns where improved tools and the gang system have not been introduced, where intelligent American workmen are unable to earn by twelve hours' labour more than $1 50 per day. Ten years ago the shoemakers of New England as a class were well fed, well clothed, well housed, and had their pockets well supplied with spending money; now they have less surplus money, are more poorly clothed, and are crowding themselves into smaller tenements, while many of them who formerly saw meat and butter daily upon their tables now see those articles there but seldom. During these ten years their food and family supplies have nearly doubled in prices, while the wages have increased but half."

The attention of the Commissioner has also been called to the following evidence, showing an increase of pauperism in the fourth collection district of the State of Maine.

The whole neighbourhood was absolutely drained; mortgages, loans to mechanics and small manufacturers were called in, and an extreme stringency occurred in the local money market.

Now what has thus been found to be true of Massachusetts will undoubtedly be found to be true of every other State where a system of savings banks has been established.

Table showing the amounts expended by certain towns in the fourth district of the State of Maine for the support of the poor during the years 1861 *and* 1868, *and the number of polls on the tax lists of said towns in the same years.*

Towns.	Amounts expended.		Polls.	
	1861.	1868.	1861.	1868.
1. Brewer	$577 45	$1,573 00	532	609
2. Dover	782 00	1,367 00	401	421
3. Cornish	610 42	1,057 10	Not returned.	Not returned.
4. Dexter	476 16	1,166 74	514	536
5. Orono	1,000 00	1,500 00	Not returned.	Not returned.
6. Houlton	613 32	1,630 97	387	431
7. Lincoln	600 00	800 00	Not returned.	Not returned
8 Presque Isle	45 00	300 96	Not returned.	Not returned.
9. Oldtown	1,636 83	4,087 30	645	688
10. Bangor	11,204 05	13,931 62	3,335	3,336
Total	$17,545 23	$27,417 69	...	...

REMARKS.—Dover manufactures wool and iron—shire town, Piscataqua County; Orono, lumber manufacturing town; Dexter manufactures wool; Houlton, shire town of Aroostook County; Oldtown manufactures more lumber than any town in New England.

The official who communicates the above statements adds: "The state of things it discloses is by no means confined to the fourth district of Maine."

AGENCIES WHICH DISTURB THE EQUITABLE DISTRIBUTION OF NATIONAL WEALTH.

Having thus presented some evidences tending to show the want of equity in the distribution of the surplus product of the nation, let us next consider the agencies which have been instrumental in producing this result, and which further tend to perpetuate it. The general financial result of the war was toward impoverishment, and that to a degree which popular judgment has thus far not accepted. Hitherto, under the influence of currency inflation and the industrial activity which the necessity of supplying the waste of the war stimulated, the effect of the enormous destruction of property which occurred continuously from 1861 to 1865, added to the almost equally enormous waste resulting from the diversion of industry, has been disguised and rendered less apparent than it would have been under different circumstances. But with the return of affairs to their normal condition, many influences before unappreciated begin to make themselves felt. Enforced economy begins to supplant extravagance and restrict consumption, and restricted consumption in turn has left an unconsumed surplus upon the market of a great variety of products. Production, therefore, to a very great extent has

ceased to be profitable; hence the anomalous spectacle which has been presented during the past year of representatives of great industries—coal-miners, paper-makers, cotton and wool-manufacturers, brick-makers, lumbermen, and others—resolving that it was expedient to diminish production; and then carrying the resolution into effect either by suspending work entirely, or by reducing the hours of employment to their operatives, and running machinery but half time.

A patriotic desire to magnify the prosperity of the country on the part of some, or zeal in behalf of party or policy on the part of others, may tempt to a denial of these conclusions. But it will be to no purpose in the face of the stern logic of events present and to come. Indeed, when we attempt to reduce to figures the cost and consequences of the war, the wonder will not be at any present disaster, but that the disaster has not been greater and did not come earlier. But the impoverishment which has resulted from the war is something which is neither to be apologized for nor lamented. The expenditure accomplished the result for which it was incurred, and that, for all loyal men, is sufficient; but the perpetuation of agencies since the termination of the war, either through legislation or the neglect of legislation, which tend to continue the impoverishment of the people and to transfer unequally the gains from the producers into the hands of non-producers, is a matter which is entitled to no apology or extenuation. Two agencies are at the present time in the United States conspicuously engaged in this work, and with an effect which becomes more marked as the period of their operations is extended through the lack of remedial measures, viz., *An inflated irredeemable currency, and excessive and unequal taxation.* How these agencies tend to distribute the surplus of production over consumption unequally; to impoverish the masses; to interrupt the natural course and development of industry, and effectually destroy all profitable commercial relations with foreign countries, the Commissioner next proposes to discuss, avoiding in so doing, to the greatest extent possible, any repetition of the facts and arguments which have before been presented.

HOW AN INFLATED, IRREDEEMABLE CURRENCY AND UNEQUAL TAXATION AFFECT THE FARMER.

We propose to inquire, first, how an inflated and irredeemable currency and unequal taxation affect the agriculturists of the country, who with their families constitute fully fifty per cent. of our whole population.

More wheat and other agricultural produce is and must be annually raised in the United States than is needed for home

consumption, and the surplus, if disposed of at all, must find a market in foreign countries. But we can sell wheat in the markets of the world on the single condition of selling as cheap as others, inasmuch as, notwithstanding our magnificent natural advantages, the comparative nearness to the markets of Europe of the wheat-growing regions of the Baltic, the Danube, and the Crimea, reduce our superiority within very narrow limits.* The American agriculturist does not, therefore, command his own price, but the price commands him; and what wheat is worth in Mark Lane, London, the central market of the world, is what the United States must sell it for if it sells at all. And about selling, or not, we have practically but very little discretion. With an immense wheat-raising area we shall raise wheat, even if at the end of the year half the individual farmers find that they have not been able to pay their expenses.

Within certain limits even manufacturing does not depend upon temporary profit, much less farming. Men must live, and work in the occupations in which they have invested their capital, and upon which they have been accustomed to rely for a livelihood. It is only within considerable periods that a general change of industry can be effected. Nor, after the crop has been planted and harvested, has the farming community any more discretion as to the time or the price at which they will sell. Efforts have been made in the past to hold crops back from the market in order to secure an advance, but in general it must be said that such enterprises have only resulted in failure, and even in a greater loss. The fall of breadstuffs in 1868 was only made more certain and more disastrous by the ill-advised attempt to hold back the very abundant crop of that year. Where producers are numbered by hundreds of thousands, concert and discipline in such matters are absolutely hopeless; and with anything like a good season, it is morally certain that the United States will produce more of breadstuffs than the home demand, even when stimulated by the cheapness of food for men and for cattle, can absorb. That surplus will be sold abroad, whatever it may bring.†

* A continuous line of railroad now connects the great and fertile plains of Hungary and the wheat region of the Danube with Paris and other principal centres of distribution in Western Europe, and wheat and cattle are now carried from Buda-Pesth to Paris without change of cars.

† Unquestionably, it would be better for the farming community, considered apart from the interests of the whole country, if that surplus could be *destroyed*, as the surplus coffee of Java was destroyed by the Dutch Company for the purpose of securing a higher price for the remainder; but such a disposition of the surplus wheat of this country is impossible. Remove the tail-board of a cart loaded with potatoes, to use a homely illustration, and it is of course true that if the potatoes nearest

THE RELATION OF AGRICULTURE TO CERTAIN SPECIAL INDUSTRIES.

It is worth while to say a word at this point in reference to an opinion which is somewhat general, that the agricultural interests of the country are greatly dependent upon certain special domestic industries for a market for their products. It needs, however, but a slight examination of the subject to show the foundation upon which this opinion rests, and the tendency there is to an exaggeration of its importance. According to the statement before presented, the gross value of the annual agricultural product of the country approximates *three thousand three hundred millions of dollars* ($3,282,950,000.)

The very careful investigations made within the last few years into the condition of the woollen and cotton manufacture of the United States, admit of a very accurate determination of the number of operatives directly employed in these branches of production, viz., about 90,000 in the manufacture of wool, and 125,000 in the manufacture of cotton. The price of board for operatives in these two industries in the United States at the present time will not exceed *three* dollars per week, or one hundred and fifty-six dollars per annum. Supposing the whole amount to be expended on the purchase and consumption of agricultural produce, the aggregate annual value of the product consumed would be $33,540,000. If we add an equal sum for the value of the agricultural produce consumed in the pig and bar iron industry, and double the total of the whole to cover the value of indirect consumption attributable to these industries, we have the sum of $134,160,000, or *four and a tenth per cent.* of the value of the annual agricultural product of the country; making it evident, therefore, that the great consumers of agricultural produce are the artisans, the unskilled labourers, and the professional men of the country, with their families, who do not class themselves with any of the more conspicuous manufactures.

We will add but one other item of evidence bearing upon this same question, and that is, that a statement has been made to the Commissioner during the past year, by one well qualified by information and experience to speak as authority, that the State of Illinois alone, if cultivated to the degree of the average of lands in Great Britain or Belgium, can produce annually a food supply ample for the subsistence of *all* the population now

would not tumble out, the remainder need not; but, as the first potatoes have no choice whether they will obey the law of gravitation or not, the rest must take the chance all the same as if their falling did not depend on the action of others. In precisely the same way, with our own production of wheat, some must go abroad, and if the movement does not start at one point, it will at another.

living upon the territory of the United States. There are even counties in some of the States of the Union, composed wholly of the finest wheat-growing lands in the world, that are larger in area than that portion of Hungary which, as the Buda-Pesth region, has come to be regarded as one of the granaries of Europe.

An ordinary good crop, therefore, in the United States cannot be held at home. The surplus must find a market abroad, and whatever it is worth for exportation measures the price of the whole crop, inasmuch as there cannot be two prices for the same article, one for the home and another for the foreign market.

But the value of the surplus for exportation is much less than it would be were the currency brought to a specie standard and taxation reduced and equalized, and to this extent the American agriculturist is placed at a disadvantage with his foreign competitor, from the very outset. Let us explain. It cannot be doubted that the cost of transportation, elevating, storing, and managing is at least ten per cent. greater than it would be under a normal condition of currency and taxation. It is also certain that the exporter of the grain will not give at the time of his purchase an exact equivalent in currency to the gold price at the place of sale in Europe, less commissions, transportation, and profits, inasmuch as it is always doubtful whether the gold received sixty or ninety days hence will then exchange for as much currency as it would at the time the grain was first purchased. The exporter, therefore, of necessity insures himself to the extent of one, two, or four per cent., as the case may be. But whatever these charges may amount to, and differ as we may in reference to particulars, it must be agreed that they are considerable, they are all reflected back and borne by the producer, and not charged to the foreign consumer, for the latter can at all ordinary times buy wheat from the Baltic or the Crimea which is not subject to such charges; and this loss, furthermore, is not limited merely to the surplus available for export, but, in accordance with the law above explained, is multiplied by the whole product, and diminishes the price for which every bushel is sold, whether the same be intended for domestic or foreign consumption.

We have thus stated the position of the American agriculturist in respect to what he has to sell. Let us next consider his position in regard to that which he wishes to buy. And here it is necessary to bear in mind that what the grower of food and other agricultural products wants is not money, but that which money will buy.

We will therefore assume that the farmer has turned say one hundred bushels of wheat into one hundred specie dollars, and

next endeavour to trace this sum of money through its course in procuring for its possessor the satisfaction of the wants under the stimulus of which he has performed the labour of guiding the powers of nature to the production of the wheat.

He has need of salt, and he finds that he can purchase it in Liverpool or Cadiz and lay it down in the United States at from fifteen to twenty cents per bushel; but the government, through its currency and its tariff, has imposed such a tax upon it as to make it better for him to pay from forty to forty-five cents per bushel for American salt; or, in other words, to take less than half the quantity for the same money; the government, at the same time, receiving but little revenue—the ostensible object for which a tax on salt, through the medium of the tariff, was in the first instance imposed.

Or, perhaps, he lives in Maine, and wants coal, and could get twenty tons from Nova Scotia for his hundred dollars. But the government having imposed a tax of one dollar and twenty-five cents per ton of two thousand pounds, in gold, upon its importation, he finds it better for him to expend one dollar and a half per ton more for transportation of coal from Pennsylvania. Thus, thirty dollars' worth of unnecessary transportation has been performed, the government has no more revenue, and he has less coal.

Or, perhaps, he wishes to carpet his rooms. In London the specie dollar received for a bushel of his wheat would purchase of "tapestry Brussels," a yard and a third; but in New York he would find that government, through its currency and tariff, had so taxed carpets that his specie dollar, even converted into currency, will purchase only about four-sixths of a yard of the same style and quality. If, however, his means do not allow of the purchase of tapestry Brussels, and he should endeavour to satisfy his wants with a coarse drugget or bocking, he would find that the price of his grain would purchase less comparatively than of even the more expensive and costly article. If he wishes to invest the proceeds of his wheat in blankets, he will find that one hundred bushels sold in Liverpool will buy him over seven hundred pounds of this article; but if sold in New York, at present prices, it will not bring him an excess of three hundred and fifty pounds. If he should endeavour to console himself with the reflection that the treasury gains to the extent that he loses, and that through his sacrifices the period for the extinguishment of the national debt is shortened, he will find the receipts from the duties on blankets under the tariff to have been as follows: 1862, $612,283; 1866, $485,978; 1867, $207,598; 1868, $25,288.

In fact, in almost any direction in which he attempts to

expend his one hundred dollars in specie—or, in other words, for whatever article he attempts to exchange his one hundred bushels of wheat—he finds that the government has interposed and has dictated to him that at this present time he must either buy what he might not have chosen, or take less than what he might otherwise obtain.

The following table shows the purchasing power of a hundred bushels of wheat as measured by the price of various articles in the city of New York in the years 1859 *and* 1869, *respectively.*

Commodities.	Prices in 1859.	Quantities which 100 bushels of wheat would purchase in 1859.	Prices in 1869.	Quantities which 100 bushels of wheat would purchase in 1869.	Decrease per cent.
Wheat	$1 45 per bus	100 bushels	$1 35 per bus	100 bushels	
English bar iron, com'n	2¼ c. per lb.	6, 824 pounds	3¼ c. per lb.	4, 154 pounds	39
Collins's axes	9 00 per doz	16 1-9 dozen	12 00 per doz	11¼ dozen	30
Ingrain two-ply Lowell carpeting	75 c. per yd.	193½ yards	1 33 per yd	103 11-13 yards	46
Cut nails	3 c. per lb.	4, 833 pounds	5 c. per lb.	2, 700 pounds	43
Blankets, 10-4	3 50 per pair	41½ pairs	5 50 per pair	26¼ pairs	36
Liverpool salt, in bags	90 c. per bag	161 1-9 bags	2 60 per bag	51 12-13 bags	68
Men's ordinary boots	21 50 per doz	6¾ dozen	112 00 per doz	3 1-7 dozen	53
Waxed-legged boots	4 50 per pair	32 pairs	6 83 per pair	20¼ pairs	37
Black alpaca	24 c. per yd.	604 1-6 yards	40 c. per yd.	337½ yards	44
Steel, Sheffield cast steel	14 c. per lb.	1, 035 5-7 pounds	19 c. per lb.	710 10-19 pounds	31
Stoves, five holes	6 00 each	24 1-6 stoves	9 50 each	14 1-5 stoves	41
Mackerel, No. 1	11 00 per bbl	13 1-5 barrels	27 00 per bbl	5 barrels	62
Mackerel, No. 2	10 00 per bbl	14½ barrels	16 00 per bbl	8½ barrels	41
Codfish, large	4 00 pr. 100lbs.	3, 625 pounds	7 50 pr. 100lbs.	1, 800 pounds	50

THE FARMER AS A PRODUCER.

It remains but to consider the position which the farmer holds distinctively as a producer. He raises his wheat and other produce, under a system of currency which unsettles values, inflates prices, enhances the cost of labour and all the elements of production, and affords daily opportunities to speculators for plunder. He raises his wheat and other produce under a tariff which, without affording him any sufficient compensation, unnecessarily increases the cost of his tools, his clothing, his fuel, his fencing, and his shelter.

Wheat produced under these circumstances costs a great deal more than it does in countries free from such embarrassments, but it does not sell for more. On the contrary, it has to compete in the market with wheat produced by the so-called "pauper labour" of Europe, and returns to the farmer no more than the price of real pauper labour in America. Nor does it cheer the

grower of wheat to reflect, that while he suffers from a depreciated currency, and competes with the stable conditions, metallic values, cheap materials, and cheaper labour of other countries, contributing at the same time his share to the public revenues, he also makes much heavier contributions on his clothing, iron, lumber, coal, salt, and the like, not for revenue, but for the profit of industries more favoured than his own, that they may be screened from the competition to which he is forced to submit.*

RELATION OF SPECIAL TAXES TO THE NET SAVINGS OF THE COUNTRY.

But it is not necessary that we should confine our illustrations of the inequality of the distribution of the net products of

* As direct practical evidence of the truth of the statements above made respecting the influence of the existing systems of currency and taxation, in reducing the income of the American agriculturist to the scale of paupers' earnings, we submit the following table, prepared from the columns of the *Philadelphia Press*, showing the price of some of the leading articles of agricultural produce in that city during the last week of July, in 1867 and 1869, respectively, with an additional column showing the prices of similar articles in New York, on the 1st of November of the latter year :—

	Philadelphia, Pa., July 30, 1867.	Philadelphia, Pa., July 30, 1869.	New York, N. Y., Nov. 1, 1869,
Beef cattle :			
Common	13 *a* 14 cts.	6 *a* 7 cts.	
Prime	14½ *a* 15½ cts.	7 *a* 8 cts.	
Choice	16 *a* 17 cts.	9½ cts.	
Flour and meal :			
North-west extra	$10 00 *a* 12 75.	$6 00 *a* 7 50	$6 40 *a* 6 60
Pennsylvania and Ohio extra	10 00 *a* 12 00	6 00 *a* 6 75, 8 00	6 55 *a* 6 80
Rye flour	8 75 *a* 9 00	6 12½ *a* 6 25	5 00 *a* 6 30
Grain :			
Wheat	2 20 *a* 2 75	1 40 *a* 1 68	1 38 *a* 1 55
Rye	1 55 *a* 1 60	1 35	1 07 *a* 1 07½
Corn	1 17 *a* 1 18	1 16 *a* 1 17	1 00 *a* 1 05
Oats	90 *a* 93 cts.	65 *a* 75 cts.	62 *a* 64 cts.
Potatoes	(*per bbl.*) 2 25 *a* 2 75	(*per bbl.*) 1 50 *a* 1 75	

On this showing the editor of the *Philadelphia Press* comments as follows: "This is an unnatural and unhealthy condition of affairs, and the longer it continues the worse for us. High prices are not so much to be dreaded in themselves when everything advances abreast, and the man who pays high for what he consumes can also sell high what he produces. When, however, prices have come honestly down, but, through the artificial structure of society, that decline inures only to the advantage of a small class of non-producers, it is dangerous and improper. This is precisely our condition. Within two years the prices of staples which sustain life and cover the ordinary table have fallen heavily and permanently, but the people have not yet got the benefit of it. *The farmer gets one-half the price he received for his wheat two years ago, but he must pay nearly the same for what he buys.*" (*Philadelphia Press*, July 30, 1869.)

industry, resulting from the present system of currency and taxation, to any particular class of the community. The evil is general; the illustrations can be made general also.

Thus we have heretofore indicated that the present net saving, or addition to the productive capital of the country, does not exceed $600,000,000 per annum. It is interesting to inquire what agencies affect the distribution of this surplus, and what is the relation borne to it by any bounty which may accrue to special interests by the favour of existing laws.

Let us take, first, the case of pig iron. The present annual consumption of this article in the United States (domestic and foreign) is about 1,837,000 tons. If the price of the domestic product of iron were less than the cost at which it could be imported, *plus* the tax (of $9 gold) now imposed upon foreign iron, we should import none. Practically, this is the exact truth, the only pig iron imported during the year 1868 being 112,000 tons, mainly Scotch pig, an inferior variety, required by stove-founders for mixing, by reason of its greater fusibility—an article which is not produced in the United States, and which would doubtless continue to be imported were the duty increased from nine to eighteen dollars per ton. It therefore follows that the price of American pig iron may have been maintained at $9 per ton gold, or $11 currency, in excess of what need to have been paid by consumers but for the tax; and if thereby the sum of $20,000,000 was transferred to the comparatively few iron-masters, although it may not have been all profit to them, and may simply have warranted them in producing iron at a higher cost, yet it represents three and one-fourth per cent. of the whole annual saving of the nation, diverted or taken from those who actually earned it for the benefit of probably not over one thousand individuals, who are the proprietors of iron furnaces.

Again, let us take the case of salt, the duty on the importation of which in bulk is 18 cents per hundred pounds, or (with gold at 133) 22½ cents currency. The present consumption of salt in the United States is estimated at about 39,000,000 bushels per annum, the price of which has been enhanced from 20 @ 23 cents in 1860 to 40 @ 50 cents in 1869. Now, if we assume that the imposition of a tariff on salt of from 80 to 108 per cent. (see imports of 1868) has unnecessarily increased the general cost of this indispensable article to the extent of only 10 cents per bushel, we have thereby subjected the community to a tax of $3,900,000 per annum, or have diverted, in the consumption of this single article, from what would have been an otherwise natural distribution of the net earnings of the nation, more than half of one per cent.

Similar deductions may be made in respect to lumber, the materials which enter into the composition of boots and shoes and the manufacture of fur and felt hats, to steel, carpets, blankets, woollen goods of every description, and a great variety of other articles, the prices of all of which have been greatly and unnecessarily enhanced by special and partial legislation. The effect of these things cannot be dwarfed or made to appear of no account, as is often attempted, by showing the insignificant relation between the tax and some specific or individual expenditure—as, for example, between eighteen cents per hundred on salt and the cost of a barrel of pork; between sixty per cent. on silk and the cost of the band or lining of a common felt hat; between three cents per pound and ten per cent. *ad valorem* on steel and the cost of an axe; or five cents per pound on coffee and the cost of a cup of its infusion. If there were only one barrel of pork, one hat, one axe, and one cup of coffee affected, the enhancement of price would most certainly be of too little account to require notice; but when each specific and separate instance becomes multiplied by millions, the general effect cannot be otherwise than to so increase the cost of subsistence or production as to diminish the power of accumulation to all those who are not able, to a corresponding degree, to increase the aggregate of their receipts from income or wages: and that a very large proportion of the people have not been thus able, is a matter of fact which can neither be gainsayed nor disproved.

During the last few years the manifestations of discontent, on the part of the real producing classes, against what has seemed to them to be the encroachments and oppressions of capital, have rapidly increased in number and significance. To many these expressions of discontent have seemed unreasonable, inasmuch as wages have generally been greatly advanced, and to some extent the hours of labour shortened. But when we consider how small, even under the most favourable circumstances, is the net saving which annually accrues to any nation as compared with the value of its annual gross product—the United States, for example, in 1860, after an existence of about three-quarters of a century as a nation, and as the result of all the labour, enterprise, and economy of its people, having been able to accumulate only what would be equivalent to about four years of current expenditures*—we can readily understand how difficult it must be, of necessity, for a producer, starting without capital, to make his first accumulation, and how slight a change in the distribution of the net annual profit of the nation may make to the masses

* Gross value of real and personal property of the United States in 1860, $14,183,215,000; gross product of the year, $3,804,000,000.

all the difference that exists between abundance and deficiency, advancement and retrogression.

The wonder, therefore, is, not that labour, feeling itself aggrieved and not clearly seeing the cause of its sufferings, should instinctively cry out and blindly accuse capital, but rather that the outburst of remonstrance has not been more violent and menacing.

The following letter, with its story of simple eloquence, addressed to the Commissioner by the head of a large seminary of learning in one of the middle States, in response to a circular asking for a statement of comparative expenses in 1860 and 1869, is the only additional evidence which it is proposed to present in connection with this department of the subject:—

"*October* 12, 1869.

"In reply to your circular I will answer: All my expenses have increased, and the only increase in my income which has grown out of the course of events is an advance in the price of board of those students who board with me. To make 1869 equal to 1860 I am driven to work earlier and later: to cut off my little luxuries of flowers and food; to take fewer newspapers and buy fewer books for my library; to abandon my green-house; to relinquish watering places and travel in vacation.

"By the above curtailments, which came a little hard at first, I manage to live comfortably, and experience as few of the real anxieties of life now as in 1860. I am afraid my experience will not go for much, for I cannot join with some of my friends who are afraid starvation stares them in the face. I do not know as I ought to speak of it but in confidence: the calls for charity have enormously increased, and, added to the other expenses of living, go to swell the burden."

DISCUSSION OF REMEDIES.

We come next to the consideration of the remedies which the situation of affairs in respect to trade, commerce, and industry, as above described, would seem to render necessary. Setting aside minor considerations, the chief elements of disturbance are to be found in the present condition of the currency and of the national taxation, and it is through reform in these directions that relief is mainly to be expected.

CURRENCY.

The phases of opinion in regard to the course to be taken in respect to this agency are so numerous and discordant as to render it desirable to go back to fundamental principles and endeavour to reach some general agreement as to the nature of the situation.

Original use of money.—Currency has its origin in the division of labour. No man can supply all his own wants by his own efforts; and in his recourse to others and theirs to him exchange of products begins. The original method of exchange—barter, or the direct exchange of one article against another—is only

possible, to any great extent, when society is in its rudest and most primary condition. Some other method of exchange, therefore, early became a necessity of civilization and progress; and the adoption of money—that is, of some common medium for which all the products of labour should be exchanged, and which itself should in turn be freely exchanged for all or any of similar products, became a matter of original necessity and spontaneous invention, as much so as the adoption of clothing, the use of fire, or the construction of shelter.

Hence we arrive at a conclusion which is vital to any correct ideas on this subject, that money is a means to an end: that end the exchange of commodities, and not an end in itself.

It is an instrument to effect a specific purpose: that purpose exchange. In performing that office it is a labour-saving machine, as much so as a ship or a steam-engine; and, so far as the development of trade, manufactures, and commerce is concerned, is more efficacious in the saving of labour than any other machine which can be mentioned. Its utility, therefore, to society, like that of any other instrument or machine, is proportioned solely to the work it performs; and, as is true of any other tool or instrument, no more is wanted of this than is simply sufficient to perform the work. If two ploughs or two spindles are brought into existence where there is only work for one, the evident result will be that one will work all the time and the other lie idle; or that both will be employed, but only for a portion of the time in either case; and so far as the work to be performed is concerned, the two will have but the value of the one previously existing. The same law holds true of currency as an instrument, with this exception, that where an amount larger than is necessary to perform the required work is called into existence, the whole effort, conscious and unconscious, of society and industry is directed to the single end of preventing any portion of it from remaining unemployed for any appreciable length of time. But the employment of the currency thus increased can only be effected by increasing the price of the whole body of commodities already forming the subjects of trade; and this is the only way in which a greater amount of currency can be employed to perform the service for which a lesser amount formerly sufficed.

RELATION OF CURRENCY TO TRADE.

It is a common fallacy that the increase of money will of itself create trade. But what is trade? Trade is simply the exchange of commodities already existing, according to the wants of an organized society. An increase of currency neither increases the amount of commodities to be exchanged nor adds

anything to the desirableness of exchange. If there is any more trade after an increase of currency, it can only be that the same commodities are being exchanged more times. But this is *not trade, but over-trading*, involving speculation and perhaps derangement of industry. In short, the only object of exchange at all is to convey the commodity from the producer to the consumer. To pass it through unnecessary hands is simply to multiply the expenses and profits with which it is charged, and to divert an undue portion of the labour and capital of the country to the work of distribution.

Now this is the exact condition of the United States at the present time. The currency has been increased in the manner we have supposed, and has found employment through the increase of prices and the multiplication of exchanges ; and this increase of prices and multiplication of exchanges is one of the chief causes of the disturbance of the trade and industry of the country, for which a remedy is believed to have become imperative.

AMOUNT OF CURRENCY REQUISITE.

But it is constantly alleged, and proof in support of the assertion adduced, that there is no more currency at present in the country than is requisite to do the business of the country. This is strictly true. There is no more currency than is necessary to do the business of the country upon the present scale of prices, and with the multiplicity of exchanges which the redundancy of the currency itself has induced. And what is more, there never will be. If the present volume of the currency were to be increased in accordance with the demand of economists of a certain school, even to the extent of twofold, the relative condition of affairs would remain the same—prices advancing and exchanges multiplying sufficiently to absorb any excess that might be authorized.

It should also be borne in mind, that irredeemable paper currency is not money in its true sense, inasmuch as it represents money to the exact extent to which it can purchase, or be exchanged for coin, and no more. Now if this premise is correct, it follows that although the legislature may authorize the issue of any amount of irredeemable paper, it will not by so doing add one penny to the amount of real money in circulation. On the other hand, the natural effect of an excessive issue of irredeemable paper is to actually reduce the amount of real money in circulation by creating (through speculation) artificial and abnormal uses for capital, which under other and healthy conditions would not be presented, or at least not to the same extent ; and also by creating artificial and abnormal prices which necessitate the use comparatively of a much larger

amount of money to effect the exchange of an equal amount of commodities. Hence the explanation of what, to the many, seems entirely paradoxical, viz., that money should ever be scarce in the United States at the present time when the volume of the circulating medium has experienced so large an increase; or that other fact, apparent not only in the United States, but in all other countries cursed with an irredeemable paper currency, that the rates of interest are always the most advanced when there is the largest absolute amount of currency in circulation.*

EXCESS OF THE PRESENT CURRENCY.

That the present volume of currency is in excess, is proved: 1. By the indisputable fact that the general scale of the prices of domestic commodities, as measured by the common standard of international commerce, is greatly in excess of the prices of other countries, and out of all natural proportion to the prices of the same commodities in the United States before the war. The very common idea that this great advance in prices since 1861 is due in a greater or less degree to the depreciation of gold, owing to its increased production, is entirely without foundation; as is conclusively proved by the fact that an examination of the prices of some sixty of the leading commodities dealt in on the London market since 1850 shows that, whatever advance in prices, directly or indirectly attributable to this cause, actually took place, the same occurred and reached its maximum between the periods 1857 and 1861; and that since 1861 there has been, on the average of the same articles, a steady and regular decline in prices.† (See Appendix.)

2. The excess of the present currency is also proved by the further fact, that the amount of currency in circulation has been arbitrarily increased during the past eight years considerably

* In respect to this proposition, a recent American writer of the highest authority (Hon. Amasa Walker) uses the following language: "Money is scarce, not in proportion to its actual quantity, but to the relative demand for it. When, therefore, in addition to the natural wants of trade, the speculative interest comes into market, the extraordinary demand is certain to create a pressure; so that, practically, it has always been true, as it is now true, that an expanded currency will be the most scarce when it is most abundant; that collections will be most unsatisfactory when the circulation is largest; and that the rates of interest will be highest when the loans of the banks are most extended.

"This important lesson the people must learn; and if they would have money plenty and cheap, they must insist that the amount shall be reduced to its natural limit—to that point where it is at par with specie. They cannot have an easy and reliable money market until that which is called money is truly so; and we incur no risk in predicting that a satisfactory state of trade will not arrive until the currency of the nation is equivalent in value to the currency of commerce."

† The following table exhibits the relative value of gold to silver in London from 1845 to 1868-69 inclusive. It will be observed that gold

more than twofold, although the increase of population, production, and accumulated wealth during the same time has been by general agreement in very much smaller proportion, and although at the former date the amount of currency in circulation was not limited by any serious restrictions upon the creation of banks or the issue of paper really or nominally redeemable in specie. Furthermore, the tendency of all commercial nations is towards economy in the use of currency in its form of specie or convertible bills, exchanges being adjusted by checks and clearing-house settlements. The circulating medium never advances in the same ratio with the exchanges which it serves to carry on. In the State of New York, in the ten years from 1850 to 1860, the capital of banks increased one hundred and ten per cent.; loans and discounts seventy-five per cent.; deposits one hundred and thirteen per cent.; and specie one hundred and forty-one per cent.; *while the circulation increased only fifteen per cent.* The explanation of this phenomenon was, that back deposits and other economical expedients had largely taken the place of bank-notes in domestic exchanges.

It has been urged, furthermore, that by allowing the present volume of currency to remain unaltered, the increase in business and the development of the country would gradually diminish and finally remove all redundancy. To this it may be replied, that the retaining of the present amount of currency in circulation tends to increase no business but what is speculative, and to check the very development which is expected to prove remedial. In the twenty-five years which elapsed from 1835 to 1860 the paper circulation of the country, left free and untrammelled to expand itself, increased from one hundred and three millions to two hundred and seven millions, or at the rate of 4·36 per cent. per annum. Now, should the future demand continue to increase in the same ratio, it would require the lapse of forty years from 1860, or until the year 1900, to bring the wants of the country up to the present supply. In the meantime the currency would probably remain, as now, irredeemable or inconvertible.

CONTRACTION AND ITS INFLUENCE.

The simple, reasonable remedy for the evils of inflation would seem, therefore, to be *contraction, pure and simple, without*

reached its *minimum* relative value in 1859, and since that date has constantly appreciated :—

1845-49 (5 years) prior to discovery of gold in California and Australia	15. 892
1850-52 (3 years) transition period	15. 649
1853-56 (4 years)	15. 339
1857-60 (4 years)	15. 276
1861-66 (6 years)	15. 411
1867-69 (2 5-12 years)	15. 580

artifice or indirection. Contraction, however, is opposed on account of the immediate distress which it is supposed would follow the adoption of such a policy. But it requires no gift of prophecy to foretell that the country must soon experience all the hardships which contraction could entail, whether contraction and the ultimate benefits of contraction be secured or not. It is morally certain that prices in almost every department of industry will sooner or later be disturbed as greatly as contraction would require; the only difference being that in the one case a temporary hardship is submitted to for a permanent relief and a great good; and in the other it will be suffered to no purpose, and the causes which produced the mischief be left as entire and powerful as ever. All the incidents and all the effects of contraction, so far as it involves commercial disaster and industrial distress, are inevitably coming, and speedily. The only question which it is left us to consider is, whether we will allow this experience again and again to repeat itself.

Thus it has already been shown that the amount of our foreign indebtedness was increased during the past year to the extent of over $200,000,000. Up to this time the annual adverse balance of trade which has been experienced since the close of the war has been mainly adjusted by the transmission of national or other securities abroad. But it is evident that this process cannot be indefinitely continued; and there are clear indications that the end is not distant. When this method of settlement becomes no longer possible, one of two things must follow—either importations must be checked, or the excess of importations must be paid for in some other way than as at present. That importations cannot be checked, to any appreciable extent must be evident to any one who will consider what it is which we bring from abroad, and the wants and necessities which our imports supply. Thus, for example, a large proportion of the value of our imports represents the domestic consumption of tea, coffee, sugar, spices, and molasses. Now it is evident that the only cause which can seriously restrict the consumption of these articles among the masses, who are the great consumers in this country, must result from an inability to purchase, which in turn could only be the result of a degree and extent of industrial depression equal to anything which could be imagined of a period of contraction. Another large proportion of the value of imports represents the raw materials of domestic manufactures, such as drugs, dye-stuffs, soda-ash, bleaching powders, hides, tin, raw silk, and other similar products. To check the importation of these would simply be to destroy a much larger value of domestic industry; while to suppose that there can be any essential curtailment in the importation of what may be

regarded as luxuries, would be to ignore the fact that the tendency and effect of the present state of things is to put it in the power of the rich to indulge in such expenditures, even at the cost of the comforts and necessaries of the poorer classes. We cannot, therefore, reasonably look for any diminution in the annual volume of our foreign imports, while their continuance on the present scale, with the inevitable speedy exhaustion of the supply of bonds or bullion available for export, involves a serious depreciation of the prices of domestic commodities, and a general convulsion of trade: the very effects on account of which contraction is opposed and deprecated.*

OBJECT TO BE ATTAINED BY SPECIE PAYMENTS.

Again, there seems a general misapprehension as to the end to be accomplished by the resumption of specie payments, and an exaggerated estimate of the importance of that object. *Unless resumption implied contraction*, it could cure but a small portion of the existing evils. If it were possible to substitute seven hundred millions of gold dollars for the seven hundred millions of paper dollars in circulation, and to hold that amount in the country, there would be the same inflation of prices, the same disproportion between imports and exports, and the same inability to dispose of the products of domestic industry in foreign markets. To be sure, it would be impossible to retain such an amount of gold in the country except by laws of impossible barbarism; but wherein would the reduction of the gold currency then, through exportation, differ from the reduction of the present paper currency through a judicious and well-ordered withdrawal? After such a substitution, gold would still remain what it is now, the cheapest commodity in the country, and for that reason, as now, would continue to be taken by foreign countries in preference to our other domestic products. That this now is the case, proves that gold is relatively the cheapest commodity we have to export. That gold also is relatively cheaper than the products of our domestic manufactures, can also be shown by a more specific illustration. Thus, in 1860 a thousand dollars in gold would purchase for export 111 dozen cane-seat chairs. The same amount of gold will purchase at the present time the same number in almost any part of Europe; but in the United States it will now purchase but 102 dozen, thus proving that, as measured by this commodity, gold is cheaper with us than it

* For the first four months of the fiscal year 1869-70 (July to October inclusive), the importations of foreign goods were in excess even of the unprecedentedly large importations of 1868-69, aggregating $149,297,278 against $137,164,952, an increase of nearly twelve millions.

was in 1860, and cheaper also with us than it is in other countries. It is therefore sent to the points where it is most highly esteemed, and where it can be used to the greatest advantage; and the chairs, in common with the cotton-cloth, furniture, tools and implements, nails, hardware, hats, wagons, &c., of domestic manufacture, are allowed to remain at home and depress the market with an excess of competition.

It is a very common idea that it is Great Britain, of all the countries of the globe, which "floods" the United States with foreign merchandise; but so far is this from being the fact, that the British Board of Trade Reports show that, in the direct trade between the two countries for 1868, the direct exports from the United States to Great Britain exceeded the direct imports from Great Britain to the United States in the ratio of more than *two* to *one;* the value of the direct exports from the United States being £43,063,094 ($215,315,470), while the value of the direct British imports was only £21,410,184 ($107,050,920). But this other significant fact should also be noted in this connection, viz., that while the bulk of our importations represent raw materials purchased from countries other than Great Britain—as tea from China, sugar from Cuba, coffee from Brazil, hides from Buenos Ayres, drugs, dyestuffs, ivory, skins, raw silk, gums, and spices from India or Africa—countries all which require the very products of industry which the United States especially manufactures and desires to sell, we do not pay for such raw materials, as a rule, with such or any manufactures, but allow Great Britain to substitute herself in our place; or, in other words, not being able to sell, as formerly, any of our manufactured products to the nations producing the great raw materials of our domestic consumption, because we cannot sell cheaply, we settle the adverse balances by the purchase in the first instance of bills of exchange on England, paying a banker's profit, and probably affecting such a purchase to a greater or less extent by selling at a discount the nation's obligations of indebtedness. The debt thus transferred to Great Britain is settled by the exportation of British merchandise, paying another profit, and in British vessels, paying freights and commissions. Now the point to which the Commissioner would especially direct attention, and which, although pointed out in former reports, has received little consideration, is, that there is no such thing possible as the resumption *and continuance* of specie payments with a continuance of this abnormal system of foreign trade and exchanges; and for the simple reason that gold will not stay here, and would long ago have left us to the last dollar, had not the bonds of the national government been available for the settlement of adverse foreign balances in the place of gold.

We must reduce prices, so that foreign nations will be willing, because it is for their interest, to exchange product for product. And to accomplish this, there must be contraction, for, to reduce prices *permanently and equitably*, while maintaining seven hundred millions of irredeemable paper money, is simply an impossibility.

AMOUNT OF GOLD NEEDED FOR REDEMPTION.

The question how much gold is needed to begin and sustain a system of redemption, depends wholly upon the answer to the prior question, how much currency there shall be to redeem. Seven hundred millions of paper could not be kept redeemable with less than seven hundred millions of gold, because with such an amount of currency it would inevitably be depreciated, and hence gold would bear a premium which every holder of paper would be desirous to realize. With four hundred millions of paper, on the other hand, a hundred millions of gold would probably be ample, because the currency, not being in excess of the wants of commerce, would not suffer depreciation, and, gold and paper being on otherwise equal terms, paper would be preferred for its greater convenience in use, just as in 1860 the banks were fully able to redeem all of their circulation which was presented for payment, although having but eighteen cents of specie on each dollar of immediate liabilities. It is not the ratio between gold and paper that needs to be regulated, but the ratio between the amount of paper in circulation and the volume of national production and exchange, of which it is the instrument. Much criticism has been passed upon the treasury for not adopting the policy of hoarding gold with a view to returning to specie payments; but if what has been stated above is true, such a policy could lead to no good results unless accompanied by a measure of contraction; while contraction would obviate the necessity of any such a policy, inasmuch as gold would then come to us, or be retained by us—our currency being in a healthful condition—to just that extent to which it was needed, obeying the same laws as any other commodity. Equally untenable is it to suppose that any progress can be made toward resumption by a reduction, through government purchase and cancellation, of the principal of the funded debt. If we had no national debt; if the two thousand millions of public bonds were by some process to be transformed into an equal amount of private "securities," exchanged between citizens, the premium on gold would not be appreciably affected. It is not at all the condition of the credit of the nation which causes gold to be at a premium, as is proved by the fact that in Italy, Austria, and Russia—countries maintaining large standing armies,

constantly threatened with war, whose debts are larger, relatively to their resources, than our own, and are in no respect in the process of extinguishment, and whose annual expenditures, as a rule, are in excess of their ordinary revenues—in none of these three countries has the recent depreciation of the paper money been more than one-half as great as in the United States; the reason being that this paper money is not as much in excess as ours.*

But it is urged by some that no restriction should be laid upon the issue of currency, or any limitation of its amount be attempted; but that the people themselves should be left to determine the extent to which they will use it. This is sound doctrine when applied to currency subject to redemption. It is not true when applied to a currency whose sole constituent is credit, and which circulates by force of law. Credit currency is the alcohol of commerce; it alternately stimulates and depresses, but poisons all the time. It creates its own appetite. It would be as reasonable to leave the drunkard, whose system is thoroughly poisoned by alcoholic stimulants, to determine the quantity which is good for him, as it is to assume that the body of trade, debauched by currency stimulants originally forced upon it, will of its own choice absorb thereafter only so much as is conducive to its welfare. The parallel between the effects of artificial stimulants upon the human body and the effects of credit money upon the body industrial and commercial, holds good in every particular, as has been shown conspicuously by the experience of the United States since the inauguration of the present system. The first effects have been to excite to an abnormal action and to produce the false appearance of health and vigour. This in turn has been succeeded by a condition of depression, and the lassitude inevitably consequent upon undue excitement and the violation of the laws of nature. And it is precisely in this condition that the poor victim of drink cries out for "more rum," and the broken-down body of trade feels the strongest craving for fresh draughts of credit to carry it through the period of reaction and prostration.

* Austria abandoned specie payments in 1848. Yet by limiting the amount of legal-tender paper, she was on the eve of resuming specie payments in 1859, in spite of the disorganized condition of her political fabric which seemed to render an immediate dissolution probable. At that time, however, the Italian war broke out; new issues of paper money took place, and, as was to be expected, were at once followed by an advance in the premium on gold. Italy, with a population two-thirds as great as our own, although weighted with an enormous debt, and suffering from a permanent and almost hopeless deficit, has thus far limited the legal-tender currency of the kingdom to about ninety millions. As a consequence, the premium on gold ranges but from twelve to fourteen per cent.

Unpopular, therefore, as the declaration may be, the Commissioner, in view of the above considerations, is constrained to believe that contraction, direct and undisguised, is the one necessity of the situation; the only remedy for existing evils so far as the currency has relation to them, and that the nation cannot emerge from its embarrassments and difficulties until the makers and administrators of the law have the honesty and courage to take it up and carry it forward to the end.

TAXATION.

We come next to consider what remedial measures can be effected by a change in the existing system of taxation. But before attempting to reach any conclusions as to what ought to be done, it is necessary, in the first instance, to inquire what is actually feasible.

Taxation is seldom a matter of choice so much as of necessity; not the reason of the case, but the absolute exigencies of the government, deciding the question of imposition. Fortunately the United States, at the present moment, through increased efficiency in the collection of its taxes and a thorough and searching reduction of expenditures, is in a position to choose between taxes, and to decide upon pure economical considerations which should be retained and which remitted. With a surplus available for the reduction of taxation (after an ample provision for the reduction of the debt) like that which the government at present enjoys, it will be inexcusable if great advantages are not secured to industry. With the power to remit, by a single act, fifty millions of taxation, a magnificent opportunity is afforded for removing the burdens of the people, such as has never, apart from our own history, been the privilege of the legislature of any nation.

THE SURPLUS.

The excess of receipts over expenditures for the fiscal year ended June 30, 1869, was in round numbers forty-nine millions of dollars; and upon the supposition that no change is made in existing laws, we are warranted in assuming that, with an equal amount of expenditures, the same surplus will be realized during the present year, and this may safely be assumed as the basis of estimate. To this amount must be added two specific items of expenditure provided for out of the receipts of 1868-69, which will not be carried over into the present year, and must therefore be reckoned as net gain to the treasury, namely, $13,000,000 on account of bounties, which now are substantially settled; $7,200,000 in gold (equivalent to $9,350,000 in currency), disbursed in payment for the Alaska purchase.

ELASTICITY OF THE REVENUE.*

The present annual elasticity of revenue, or its increase from the growth of the country, is another and most important element in determining the surplus of the future. It should be noted that, while the annual increase of capital in the United States, available for reproduction, is not probably equal to that of Great Britain, yet the more equal distribution of wealth among the people of the United States admits of a freer consumption, *per capita*, of most other articles, namely, sugar, coffee, spices, spirits, tobacco, and the like, which will bear the highest rates of taxation, and from which all governments find it convenient to raise the largest proportion of their revenue.

Now the average amount of national revenue which has been raised annually by the British government, through its various forms of taxation, for eight years past, namely, £70,000,000 ($350,000,000), closely approximates to the annual amount which the revenue system of the United States, as at present constituted, is calculated to produce. The "elasticity" of the British revenue Mr. Gladstone found to average, from 1860 to 1866 inclusive, £1,780,000 ($8,900,000) per annum, or about two and a half per cent.; which increment has been annually applied, in part, for the reduction of taxes, especially the income tax (which is always regarded as a reserve force in the British system, to be increased or diminished according to circumstances), and in part to meet increasing expenditures.

If, then, we have the fact of a present revenue nearly of equal amount in the two countries, and a certain rate of increase in one, the question whether we may expect an equal rate of increase in the other, or that the increase would be more or less, will depend mainly upon two considerations: first, whether the present taxation presses more or less severely here than there—more or less nearly up to the strength of the people (on the principle that, if the incidence of existing taxation in either country is really distressing and exhausting, a part at least of the otherwise natural increase, from the natural growth in population, might be absorbed for the relief and repair of economical interests that had suffered); and, secondly, whether the rate of increase in population may be expected to be alike in both countries.

Both these considerations, in fact, favour the expectation of a freer and larger growth here. The present scale of taxation does not tell so heavily upon the people as in England, where the great body of wealth does, and, by the aristocratic constitution

* This is the term used by British financiers to describe the natural increase of revenue. It is evidently a misuse of the word. Growth is not elasticity. Elasticity is the property of a body by which it yields under pressure, but resumes its size or shape after that pressure is removed.

of the government, will, for a long time at least, escape its fair share of the public burdens. And at the same time it is notorious that the rate of increase in population here is greatly in excess of that of the United Kingdom. On the other hand, we have the consideration that the amount of realized and available capital (the accumulation of past labour), whether for the purposes of agriculture, manufactures, trade, or of luxurious consumption, is less with us; and therefore, while our "hands" multiply faster, the tools they must use, and on which depends much of their success in production, are fewer, less adapted to their purposes, and rendered unnecessarily expensive at present by the peculiarities of our financial condition.

On the whole, after reviewing all the circumstances, the Commissioner is of the opinion *that the average annual "elasticity" of our present revenue, taking the years in groups of not less than three, will for the present average more than has been experienced in Great Britain, say from* $12,000,000 *to* $15,000,000 *per annum.* If the increase as thus estimated takes place, it will be in consequence of the freer circulation of society, conducing to a more rapid interchange of commodities; the more uniform distribution of wealth, allowing a larger consumption of certain taxed articles on which government obtains the largest revenue; and the higher rate of increase in population, in circumstances where no labour can, except under the most transient conditions, be in excess of the demand.

This conclusion finds support in the fact than in no year since 1865, in which internal revenue taxes have been repealed or abated, has the revenue been found to decrease in proportion to the reductions; and this difference in favour of the revenue has apparently amounted to from twelve to twenty-four millions per annum.*

* In the foregoing discussion the Commissioner has purposely kept out of view the consideration whether the ability of the government to exact revenue, or of the people to render it, is helped or hindered, at the present time, by the abnormal monetary condition of the country; and whether, therefore, a return to a natural order of things in this respect would facilitate or retard the collection of taxes. It will be remembered that it was considered necessary, in order to carry through the gigantic loans which the necessities of the war demanded, to "float the bonds" by an issue of paper. Now it was not supposed by anybody that this act added one cubit to the industrial stature of the nation, or that it increased by a single dollar the real amount of property which the people had to contribute or the government could reach by taxation. Yet, notwithstanding this plain truth, it was then fully believed by the great majority of business men, as by the majority in Congress, that the negotiation of the loans actually depended on this measure of flooding the money market with legal tender. And, while some able financiers doubted whether the step was absolutely necessary, and thought that, in view of ultimate consequences, it should be avoided if it were possible to raise the money without

GAIN FROM THE REFORM OF REVENUE ADMINISTRATION.

Taking the lowest figure we have named for the natural increase of the revenue for the current year, we shall have from this source twelve millions more added to the surplus thus far obtained. The further probable gain to the internal revenue from the more efficient administration of the laws and collection of taxes has recently been estimated by the Commissioner of Internal Revenue at fifteen millions; but as more than half of this amount was gained in the first three months of the present fiscal year, the estimate of the Commissioner may be regarded

it, there probably was no one who doubted that the loan negotiated would be collected far *more easily* under such conditions.

The question now is, whether the present facility of taxation is due to the continuance in part of the same causes, and may be expected to suffer in any degree by the return of specie payments; or, on the contrary, whether the present incidence of taxation be more painful and less productive, by reason of the derangement of trade and the increasing discouragement of industry, especially in those branches which look to foreign countries for a market. The present causes are unquestionably operative to a very great extent; and the question is, in which direction? The Commissioner thinks there can be no doubt at all as to the way in which they influence the substantial prosperity of the country; but the ease of taxation and the convenience of finance are not always coincident with the best condition of the people. Facility of revenue may be an evil and not a good; and the very causes which are working permanent injury to industry may also prove for the temporary benefit of the exchequer—just as lotteries, the manufacture and sale of ardent spirits, and the licensed indulgence of vice are notoriously more gainful to government, as well as less painful to those who pay, than the contributions exacted of honest and sober industries. All governments have found a fruitful source of revenue in the lower appetites and passions of their people; and the same unnatural excitement which stimulates over-trading and general industrial profligacy may increase the receipts of the Treasury. In a word, enhanced revenues may be one of the ways which an inflated and irredeemable currency takes to deplete and distress a people.

It seems, therefore, to the Commissioner that there can be no doubt that, other things equal—population and production remaining stationary—it will be much harder to raise $350,000,000 of revenue in 1871, should specie payments then have been restored, than it is now—if for no other reason than that those three hundred and fifty millions would then be *real dollars*. But the expenses of the government ought not, need not, to remain the same. Many of its charges, to be sure, are permanently fixed, like those on our debt. The present grade of salaries, moreover, being generally lower than the average of private employment, and not much above ante-war figures, would not probably be retrenched greatly on the first return of specie payments. But there are other and important charges of government which should decline equally with the great decline in the prices of merchandise and labour that must accompany a restoration to financial soundness. And while the amount of these charges—which would be fair subjects of such a reduction in the event of a general fall of prices—is not, perhaps, equal to the amount of those charges which must be regarded as more fixed in their character, yet it is certain that the present enhancement of the former by means of an inflated and suspended currency much exceeds the premium on gold which measures the enhance-

as very moderate. As the receipts from customs made a very considerable and somewhat unexpected advance during the past fiscal year, it is, perhaps, safest, in estimating the probable surplus of another year, with reference to the question of reducing taxation, to estimate the receipts from this source at the figures of the last fiscal year, 1868-69, viz., $180,000,000. The experience of the past five months of the current fiscal year indicates, however, a decided gain in the above figures.

REDUCTION OF EXPENDITURES.

The gain from this source, including the reduction of the interest charge consequent on the reduction of the principal of the debt, is estimated by the Secretary of the Treasury at twenty-six millions of dollars.*

ment of the charge of the debt, the diplomatic service, &c. &c. It would require an immense amount of labour, with access to all the vouchers for expenditures in some past year, to make any estimate in figures of the degree to which the expenditures might be reduced by the mere return to specie payments; but the Commissioner has sufficient confidence in the revenue capabilities of the country to believe that the people will bear all the proper charges of government then as easily as they do their present burdens.

And even of those charges which are regarded as fixed, it is reasonably certain that a considerable portion might be retrenched in the event of a restoration of specie payments, and the reduction of the general prices of the country within healthful and natural limits. The charge of the debt most assuredly can and ought to be the first to undergo reduction by any means consistent with the public faith.

This discussion of the influence of a return to financial soundness upon the revenue capabilities of the country has assumed that population and production remain constant. What advance in those elements may fairly be predicated from the experience of the last quarter century the Commissioner has already attempted to exhibit.

* The following table exhibits the actual expenditures for the first quarter, and the expenditures for the second, third, and fourth quarters of the present fiscal year, as estimated by the Secretary of the Treasury.

	Actual—1st qr., 1869-70.	Estimated—2d, 3d, and 4th qrs., 1869-70.	Aggregate—Actual and estimated.	Actual—1868-69.
Civil service	$15,102,202 05	$40,000,000 00	$55,102,202 05	$56,474,061 53
Indians and pensions	13,547,942 79	21,000,000 00	34,547,942 79	35,519,544 84
War Department	13,595,468 05	40,500,000 00	54,095,468 05	78,501,990 61
Navy Department	5,782,630 96	14,000,000 00	19,782,630 96	20,000,757 97
Interest on public debt	37,452,270 74	93,750,000 00	131,202,270 74	130,694,242 80
Premium on 7.30 U. S. notes	...	...	...	300,000 00
Total	$85,480,514 59	$209,250,000 00	$294,730,514 59	$321,490,597 75

Reduction of expenditures for 1868-69, $26,760,023 16.

TOTAL SURPLUS.

The sum of these several items added to the surplus of last year make up the large aggregate of one hundred and twenty-four millions. Yet the most careful examination of the several elements fails to detect any degree of misstatement or over-estimate. The whole calculation, however, assumes that the laws imposing taxation remain unaltered, and that the industry of the year will enjoy an average of success.

DISPOSITION OF THE SURPLUS.

The possession of a surplus so large invests with more than ordinary interest the question of its disposition. Shall the whole of this sum be applied to the reduction of the principal of the national debt, or shall a fair proportion of it be remitted to the people by the abatement or removal of their taxes? Of these two courses the Commissioner unhesitatingly declares his conviction that the latter is the more expedient—if indeed it is not absolutely imperative; demanded alike by the highest economical considerations and by the almost unanimous sentiment of the people. With this view he proposes that the sum of fifty millions be taken as the measure of the taxes to be removed or reduced; and that such reduction should be directed, first, to relieving industry as much as possible of unnecessary burdens, and allowing it to obtain its material at the minimum cost; and secondly, to the diminution of the cost of the elements of living to the great mass of the people, in their capacity as consumers, irrespective of the consideration whether they are or are not also producers of wealth.

With this object it is proposed to consider, first, what taxes can be best removed or abated under the head of Internal Revenue. The three principal sources of receipts under the internal revenue are the taxes on distilled spirits and fermented liquors, on tobacco, and on incomes. The rate of taxation on the first two of these has been fixed at a standard which the experience of the past year has proved to be most productive. The taxes on whisky, beer, and tobacco should not, in the opinion of the Commissioner, be modified, unless it is desired to repeat the disagreeable experiences of former years and to perpetuate the power of corrupt organizations. No change can be made, either to raise or lower the rates, which will not, at least temporarily, inure to the benefit of other interests than those of the treasury.

THE INCOME TAX.

The tax levied under this head is of a different character, and demands essential modification. The Commissioner would recom-

mend that, beginning with the next regular assessment, the present rate of five per cent. be reduced to three per cent. upon the net income of individuals. The reason for this recommendation is that the tax of five per cent. is excessive and constitutes a real grievance, being greater than that ever imposed by any other nation, except in extraordinary national exigencies. An additional reason is that an assessment of three per cent. would probably yield to the treasury a sum very nearly equal to that at present collected; inasmuch as, while the reduction of the rate would afford a great and welcome relief to the classes who now pay, it would at the same time bring within reach of the tax great numbers who now either avoid giving in lists at all, or, while doing so, force the constituents of their income so as to escape contribution entirely. The tax as fixed at present is evidently too high for revenue purposes, and is passing through much the same experience as the whisky tax when at its maximum. It should be also borne in mind that the true measure of the *onus* or burden of any tax is the sum which it would yield if fully and honestly collected; the fact that some portions of it are not collected bringing no relief to the community, if, indeed, that fact does not work an additional injury, by placing the honest tax-payer at a disadvantage in comparison with his neighbour or business competitor who escapes.

In connection with this reduction of the general rate, the Commissioner would recommend that, while the absolute exemption to all persons should be allowed to remain as now fixed, namely, at $1,000, the exemption on account of rent should not be left indefinite, as at present, but should be strictly limited to an amount sufficient only to relieve from taxation the rentals of the labouring classes, for instance, $200. It is evident that no claim can be made for the exemption of rent to any extent, which would not be equally valid in support of the exemption of any other expenditure; and certainly high rents are as much a luxury as any form of expenditure, and as little deserving of economical sympathy. If the recommendation of the Commissioner in regard to the exemption of rentals should be adopted, he is confident that, notwithstanding the reduction of the tax from five to three per cent., the amount that will accrue to the treasury from this source will not be impaired; and, but for the unfavourable condition of industry during the past year, there is great reason to believe that a very decided gain would be realized. But though the amount yielded would in this case be equal or greater, the change would constitute a marked relief to the community, inasmuch as a larger proportion than now would be contributed by the classes best able to afford it, and who owe most to the protection of the government.

In respect to the proposition, seriously advocated in many quarters, that this tax should be wholly removed, the Commissioner thinks that the attention of the country should be called to the fact that this tax was paid during the year 1868 by so small a number as 250,000 persons out of the entire population, yet representing an aggregate income of not less than $800,000,000, exclusive of the amounts remitted by reason of rents and the minor exemptions. Allowing, then, for the families of these 250,000 contributors, it is evident that only about a million of the population are interested in having the tax removed, while the remaining thirty-eight and a half millions of the people are interested in having it maintained.

To sum up what has been said upon the income tax, the Commissioner is of the opinion that a reduction of the rate of assessment from five to three per cent. upon individual incomes, without any other change in the law, would not reduce the receipts from this source by more than five millions of dollars at the outside; while, if the exemption of rent were to be limited as suggested, or even fixed at five hundred dollars, there would be no falling off nor abatement in the receipts.

MISCELLANEOUS TAXES.

There then remains a large body of minor and miscellaneous taxes under the internal revenue, which together yielded in 1868 less than fifty millions of dollars. Of these the Commissioner would recommend that the taxes embraced in what is known as "Schedule A," viz., the taxes assessed on watches, silver plate, pianos, billiard tables, and carriages, should be entirely remitted. They are inquisitorial in character, highly offensive in collection, petty and contemptible in the revenue yielded. If these taxes are intended to have a sumptuary bearing, they are altogether out of the sympathies of modern civilization; if their object is to secure revenue, they are absurd failures. Ten times the amount could be obtained with the same effort in some other direction, and without exciting half as much of odium and hostility.

As best calculated to carry out the two objects proposed at the outset of this inquiry the Commissioner would further recommend the repeal of the following taxes, now levied under the internal revenue:—

1. The whole body of what is known as special taxes or licences—those levied on banks and bankers, and upon manufacturers and dealers in spirits, beer, and tobacco, being, however, retained. The loss of revenue on this account will not be in excess of ten millions of dollars.

2. The taxes on the gross receipts of railroads, stage coaches,

insurance, telegraph, and express companies, canals, ferries, ships, barges, and steamboats. The loss of revenue from this source will not be in excess of seven millions of dollars.*

3. The taxes on the sales of articles not otherwise specifically taxed. The receipts from this source will approximate eight millions of dollars.

Allowing, then, for the extreme possible loss under incomes, the amount of taxation above proposed to be remitted to the people in consideration of the present large and increasing surplus of receipts over expenditures, would be in the neighbourhood of twenty-six millions of dollars.

THE TARIFF.

We come next to the consideration of the expediency of changes to be made under the tariff in view of the present condition of industry and the important fact of a large and increasing surplus. The discussion of this question, however, is attended by this peculiarity: that it has hitherto been impossible for any one to suggest any reduction or modification whatever, looking to the abatement of prices artificially maintained in the interests of special industries, without being immediately assailed with accusations of corrupt and unpatriotic motives. These cries have thus far had the effect for which alone they are raised, namely, to prevent discussion, and to divert the attention of the people from the real and true issues. These issues do not at present involve either the theory of free trade or the fact of protection. The questions arising are practical questions purely, concerning only the expediency of individual and specific taxes. The question in each case is a question of proportion between the benefit known or supposed to accrue from the maintenance of the tax to a class or section of the community, and the relief which would be afforded to the whole of that community by the removal or reduction of the tax. However doctrinaires or extremists on either side may declaim, it is unquestionably true that, in the condition of public feeling as it has been, and at any stage of political philosophy heretofore reached in this country, a tax imposed under the tariff which could be proved to be necessary to the maintenance of an industry already established; which employs large numbers of

* As illustrating the excessive rate and burdensome character of those taxes, it has been officially shown that in the case of the largest telegraph company in the United States, the direct taxes now levied are sufficient to absorb the entire profit on one-seventh of the entire gross receipts from all sources. If to this was to be added the increased cost of wire and chemicals, due to the influence of the tariff, the aggregate of taxation for this particular business would be represented by much larger figures.

workmen and distributes fairly among them a due proportion of the profits of manufacture; more especially if such manufacture prepares an article for direct and immediate consumption in sufficient quantity to meet the demands of the country; it is not to be denied that, whether wisely or not in the largest view of the case, the past temper of the American people has approved of such a tax. But it is furthermore equally true, and will shortly be found so to the satisfaction of any sceptic, that the advance in sentiment and the diffusion of knowledge among the people on this subject within the last two years has been such that, when it can be proved that any tax thus laid upon the community *is not necessary* to maintain a protected industry in a moderate degree of prosperity; if, moreover, the industry be one which, whatever its absolute proportions, yet contributes to the general wealth and welfare less than it requires; if it be one which yields its profits mainly to the capitalist, instead of dividing the returns equitably among large classes of skilled or ordinary operatives; and especially if it be one whose product is to become in turn the raw material of other and still more extensive industries, so that the enhancement of price at the bottom is repeated through the several successive stages, and thus becomes a tax not only on the final consumer but on each intermediate producer—in such cases the people of the United States will exercise their right to think and to speak of such a tax, whoever may seek to intimidate the official or unofficial organs of public sentiment; and will exercise an independent judgment without respect to the will of highly organized and aggressive associations of capitalists, as to the amount in which that tax shall be reduced, or the time in which it shall be wholly removed. And those who deprecate such reforms, be they parties or individuals, will find, however much they may appeal "to the fathers," that "the children's teeth are set on edge."

THE TRUE PRINCIPLES OF TARIFF REFORM.

The experience of the last few years has been equivalent to a demonstration that any attempt to reconstruct the tariff as a whole, on any basis of principle, is practically impossible; the diverse interests of the different sections of industries being sufficiently powerful under almost any circumstances to ingraft upon a bill during its passage such modifications as would effectually deprive it of any pretensions to consistency or harmony. There would therefore seem to be but one available method of tariff reform; which is to adopt the same course that has been taken in respect to the reforms heretofore made in the internal revenue, and which furthermore finds a precedent in all the experience of Great Britain in legislating upon these

subjects, viz. to make such modifications or removals of duties, year by year, as experience or the condition of the treasury may indicate as practicable and desirable; and thus, by pruning, rather than by reconstruction, to gradually attain the greatest degree of simplicity and effectiveness with the least possible burden upon industry and the people. With the adoption of this method of reform as a matter of expediency, the following principle should also be insisted upon as fundamental, viz. :—

That the maintenance of an average duty of forty-seven per cent., as under the existing tariff, upon all dutiable imports, is excessive and unnecessary, and opposed alike to the highest interests of civilization and humanity, as well as to the proper and healthy growth of all domestic commerce and industry; and that under no circumstances, except for the supplying of certain technical omissions in existing laws, or for the sole and avowed purpose of revenue, should any increase of rate be hereafter permitted.

On such a basis, the work sought to be accomplished in the way of reform would naturally divide itself under two heads: first, reforms made purely and solely in the interest of revenue and administration; and second, reforms having in view the relief of industry from contributions, a small portion only of which accrues to the treasury; and also a reduction to the minimum of the contributions exacted from that large portion of the community who are consumers of taxed articles without being in turn the producers of protected products.

In respect to reforms pertaining to the first head there can be no essential difference in the policy of any party, inasmuch as the only question which can arise concerning any proposition will be in regard to the accuracy and completeness of the facts alleged. A fundamental consideration, furthermore, in this connection, by universal admission, is that the number of impositions should be made as few as is consistent with the obtaining of the amount of necessary revenue. The people of the United States cannot afford to have a tax collected, for revenue purposes simply, which yields less than half a million of dollars per annum, as a smaller sum affords no compensation for the necessary disturbance to trade and the trouble and expense of collection. On the other hand, the government should particularly refrain, in the collection of its revenue, from affording any opportunity for evasion and fraud to the dishonest importer which will put his honest competitor at disadvantage. To fret and divert the course of trade by petty obstructions of the character of many now forming a part of the existing tariff, and which have no probable or possible relation to American industry, or to the policy advocated by any school of economists, is both useless and mischievous. Of such a nature are the taxes on

quicksilver, seaweed, coal-oil, glycerine, gum-benzoin, lard, manufactures of platinum, annato, paving-stones, and bamboo, which, during the fiscal year 1868, yielded severally to the treasury sums varying from $10 40 to $579, and an aggregate revenue of $1,475 50. The experience of every year, moreover, affords fresh evidence that in nearly every instance where the amount of duty imposed on any article of small bulk is disproportionate to its value and excessive in rate, the business of importing passes to a greater or less degree out of the hands of the legitimate trade, and into the control of the contrabandist and illicit dealer. Most noticeable examples of the truth of this assertion are to be found in the case of segars, camel's-hair shawls, nearly all expensive chemical preparations, the costly varieties of lace, some varieties of spice, and precious stones in settings. On this last the duty collected on the importations of 1868 was $366, and from morphine and its salts the total revenue was $160. A leading house engaged in the importation of cloves thus writes to the Commissioner: "From 1857 to 1862 we imported 1,258,641 pounds of cloves from Zanzibar. Of that quantity 1,222,114 pounds were entered for consumption, the duty being from four to eight cents per pound. From 1862 to 1869 our importation of cloves from the same place was 779,091 pounds, of which 349,267 pounds were entered for consumption, and the balance sold in bond. What was done with them we know not, but have reason to suppose that, as the duty was from fifteen to twenty cents per pound (gold), they were smuggled back into the country. The importation of cloves, both in New York and Boston, has been large during the last few years, and, if our information is correct, sold mostly in bond. A duty of ten cents per pound on cloves and five cents on clove stems would, I feel sure, yield a large revenue, and also protect the honest trader." The article of musk is one also in which the regular importation is reported to the Commissioner to have entirely ceased, although the domestic consumption remains mainly as before. Whatever of business remains is concentrated in the hands of a single dealer in New York City, who, by making the matter a specialty, is enabled to supply promptly all demands of the trade, and on terms so favourable as to admit of no competition.

In short, of the two thousand articles which are specifically catalogued upon the list of dutiable imports, it is probable that at least one-third might be immediately placed upon the free list without seriously diminishing the revenue, and with great benefit to the trade, industry, and morals of the country.

In the inauguration and carrying out of reforms in the tariff of the character indicated under this first head there would seem

to be, as already remarked, but little occasion for difference of opinion; but when we come to propositions for reform in tariff taxation having in view a reduction of the cost of domestic production and consumption, the case is different. Against such reforms every special interest whose profits, although possibly excessive, are like to be diminished, arrays itself; and it is broadly taken for granted that whatever of legislation will prove advantageous to the few will, at least, bring nothing of detriment to the many. But it is from the effects of legislation which, intentionally or otherwise, has, since 1862, been based on just this principle, coupled with legislation based on no principle or intelligence whatever, that the country now more especially demands relief. And although the truth of this assertion has been sufficiently substantiated by a large body of evidence submitted by the Commissioner in his previous reports, yet the importance of the subject renders it desirable that such further facts as the experience of another year has afforded should also be made public. To a brief statement of these, therefore, and to the recommendations which the facts naturally suggest, the Commissioner would next ask attention.

INCIDENTAL INFLUENCE OF INCREASING THE DUTY UPON COPPER.

A striking illustration of the injurious effect of attempting to exceptionally foster one of a series of interconnected and interdependent industries is afforded by a certain curious experience that has followed the passage of the enactment of February 1869, increasing the duties upon copper. By this bill the duty on all manufactures of which copper constituted a chief component was uniformly increased to forty-five per cent., and included in its provisions was an article known as Dutch metal, extensively used in the manufacture of paper-hangings as a substitute for gold-leaf, and on which a duty had formerly been levied of ten per cent. The result which followed such legislation is briefly told in the following extract from a statement presented to the Commissioner by leading representatives of the paper-hanging industry of the country:—

"The article of 'Dutch metal,' or 'Florence leaf,' is all imported—mostly from Germany. It is composed of an alloy of copper and zinc, and is beaten out by hand like gold leaf. It cannot possibly be made in this country, even if the present duty was increased, owing to the high price of labour, inasmuch as nearly the whole cost of the article represents the labour of beating it out, the cost of the material itself being a mere nothing. Heretofore the duty on this article has been ten per cent., but under the provisions of the recent bill increasing the duties on copper the rate has been increased to forty-five per

cent. When the duty was ten per cent. we did not complain; but the increase to forty-five per cent. has been too much for us, and *we have all been obliged to increase the price of our goods from five to twenty-five cents per roll, according to the quantity of leaf used on each roll. The consequence is that the trade are all complaining of a falling off in the sales of our goods, owing to the high price, and the difficulty of making the consumer understand the reason why we charge more for them.*"

Now, although it may be said, and with truth, that there was no intention, in increasing the duties upon copper, to increase the duties upon Dutch metal, the fact, nevertheless, remains, that the increase in question was effected; that sufficient consideration was never given to the measure to fully understand the extent and scope of its influence, and that thereby serious detriment was inflicted upon an industry which, in 1860, employed directly more than one-fifth as many operatives as at that time were engaged in copper mining.

RELATION OF THE TARIFF TO THE MANUFACTURE OF LEATHER.

A similar but more extensive illustration of the injurious influence of taxation originally imposed and afterward maintained under the tariff, most probably through lack of information or want of consideration, is to be found in an analysis of the present cost of the manufacture of leather and its principal products.

Thus, for example, the value of the product of leather of various kinds in the United States for the year 1868 was about $124,000,000. Now it is susceptible of demonstration that the cost of this product was enhanced, by reason of the duties imposed on the materials which enter into its composition, to an average of from eight to ten per cent., or to an aggregate of nearly ten millions of dollars as a minimum; while the whole amount of revenue which passed into the treasury during the fiscal year 1868, from the duties levied on undressed hides and skins, animal oils, and tanning material, was not in excess of two and one-half millions; or, in other words, for every two and a half dollars which the government took under the tariff for the purpose of revenue it indirectly imposed seven and a half dollars more upon consumers of an indispensable article in the first stages of its production.*

It is further to be noted of the duties which thus augment the cost of leather, that while, on account of the present surplus in the treasury, they are not needed for revenue, they cannot pretend to claim continuance on the ground of protection.

* In illustration and support of the above statement the Commissioner submits the following table (prepared by an expert), showing the relative

Thus, of the hides required in the first instance, the domestic production is only sufficient for about seventy per cent. of the domestic consumption. Before the war American leather was largely exported, and even to England; while the slow process of tanning abroad, the absence of hemlock bark, the necessity of relying almost exclusively upon chemicals to supply the place of tanning, coupled with the lack of mechanical appliances —all these are sufficient guarantees that the United States can never, under any circumstances, be exposed to serious competition in this department of industry. Of the oils used in currying, furthermore, we possess so great a control of the market, that in 1868 the entire imports of such oils amounted to the small sum of $3,510.

But large as is the sum by which these unnecessary duties increase the cost of leather, the whole story, in its bearing upon the consumer, has not been told. Taxes thus laid upon what may be termed the basic materials of a series of industries repeat and enlarge themselves at every stage, and thus become a burden upon every intermediate producer before accumulating upon the ultimate consumer. This is strikingly exemplified in the industry under consideration.

It has been shown in the case of leather that the cost of the annual product is increased directly, by reason of the tariff, to the extent of about ten millions. If we turn next to the manufacture of boots and shoes, the analysis of a single department presents the following exhibit:—

cost of the manufacture of waxed upper leather under the existing tariff, or with its constituent materials free of duty:—

	Existing tariff.	Duty free.
Rio Grande or Buenos Ayres hides, 100 lbs., costing 22½ cts. gold.	$22 50	$20 45
Premium on gold (135).	7 87	7 15
Commission paid by tanner for buying and credit	1 51	1 38
Cost of tanning with bark $15 per cord	12 00	...
Cost of tanning with bark free of duty, or $13 50 per cord	...	10 80
Cost of currying with oil at 90 cts. per gallon	8 70	...
Cost of currying with oil free of duty, 74 cts. per gallon	...	8 20
Interest six months, at 7 per cent.	1 84	1 64
Commission, paid by tanner for selling (5 per cent).	2 85	2 60
Product: 180 ft. of wax leather and 15 lbs. of splits, costing	$57 27	$52 22
Value of the same, apportioned, viz.:		
15 lbs of splits	34 cts. per lb.	32 cts. per lb.
180 ft. waxed leather	28.98 per ft.	26.30 per ft.

$28\frac{98}{100}$ less $26\frac{30}{100} = 2\frac{68}{100}$ cents per foot reduction of cost by remission of duty, thus proving that an addition of about ten per cent. is now made to the cost of this variety of leather through the existence and continuance of the present duties.

The number of pairs of boots and shoes manufactured for men's and youths' wear in 1868 is estimated by the trade at 51,500,000, possessing an aggregate value, at an average of $2½ per pair, of $129,750,000. Now, an examination of the various elements which enter into the composition of these products—made for the Commissioner by experts—affords a demonstration that the aggregate cost as above given is enhanced by reason of the tariff to the extent of about 7½ per cent.,* or upwards of nine millions of dollars; a sum nearly equal to the enhanced cost which, by reason of the duties, accrues on the whole annual domestic product of leather. But boots and shoes for men and boys' wear constitute but a part of the product of the boot and shoe industry; for during the year 1868 there were also manufactured boots and shoes for women, misses, and children to an estimated number of 47,000,000 pairs, possessing an aggregate value of $98,500,000. If we suppose the cost of these products to be enhanced by reason of the tariff to the same extent as in the case of the boots and shoes manufactured for men and boys, we must further carry to the account of indirect taxation, to be paid by the consumer, the additional sum of $7,387,500; making a total unnecessary burden annually imposed upon consumers of boots and shoes in the United States of more than fifteen millions of dollars.

One further statement is necessary to complete this exhibit. As already stated, the product of women's, misses', and children's shoes is about 47,000,000 pairs per annum. Of these it is estimated that at least 15,000,000 pairs are composed in part of two fabrics of wool, technically known as "lasting" and "serge." Shoes thus fabricated are worn by all classes of

* *Table showing the comparative cost of the manufacture of men's standard, first quality, sixteen-inch leg kip boots under the existing tariff, and with the materials directly or indirectly used in manufacture admitted free of duty.*

	Taxed.	Free.
Cost of uppers, per dozen	$20 46	$18 67
Cost of soles, per dozen	8 04	7 44
Labour	8 00	8 00
Finding, &c.	2 00	1 70
Interest six months, at seven per cent	1 35	1 20
Commission for selling, at six per cent.	2 53	2 36
Cost of twelve pairs of boots	$42 38	$39 37

$42 38 – 39 37 = $3 01 per dozen, which is equivalent to an addition of $7\frac{64}{100}$ per cent. to the cost of boots of the above description by reason of the imposition and continuance of the existing tariff taxes.

women, the lasting and serge being materials well adapted to the climate of all seasons, very light, very durable, and, unlike leather, suffering but little deterioration when worn under rubbers in wet weather. The present import of lasting and serges to meet the requirements of the boot and shoe industry is estimated at about 3,000,000 yards, possessing a value of eighty-seven cents (gold) per yard, or $2,610,000, or in currency (with gold at 133⅓), $3,480,000.

On these imports the price is enhanced by reason of the duties as follows:—

Specific duty 50 cents per pound (13 pounds per piece)	$650,000
Ad valorem duty	507,000
Total gold value of duties	$1,157,000
Total currency value of do., gold at 133⅓	$1,542,666

which sum represents the burden annually imposed, first, on one department of the largest specific branch of industry in the country; and secondly, upon the whole female population, who are consumers of these products. And for what? Certainly not for revenue; and then, if for protection, for the interest of one or two small establishments in Massachusetts, employing but few hands and a limited capital. Or, to put the case differently, the government, to all intents and purposes, has in addition to all its other business become a partner in the lasting and serge business, and runs one or two small establishments at an expense to the people of $1,500,000 currency per annum—a sum greater than is at present annually required to defray the expenditures of the whole foreign intercourse of the country.

But this does not comprise all the direct taxes imposed upon this class of manufactures. Nearly one-half of the lasting and serge goods are fitted with elastic gores made of rubber webbing inserted in the sides. This material is nearly all imported, and pays from thirty-five to sixty per cent. duties *ad valorem*. These duties, it is represented to the Commissioner by the trade, are equivalent to a tax of *five* cents per pair on all the goods using webbing as a constituent of their composition. We conclude this analysis by an extract from a statement submitted to the Commissioner by leading representatives of this branch of the boot and shoe industry: "Before the war a cheap gaiter boot for women's wear was sold for sixty cents; now the same article commands $1 05. Before the war there was a large and increasing demand for export of our goods for South America,

Central America, Mexico, and the West Indies; but now, owing to the largely increased cost of the same goods, this trade is almost entirely cut off, except a very limited demand for Cuba."

The result which might be expected to follow from a removal of the above referred-to duties is thus expressed in a recent number of the *American Workman*, a paper published in the interest of the "Crispin," or shoemakers' union of the United States:—

"The workmen" (in this branch of industry) "have suffered, as every one admits, for several years, for lack of steady employment. The quantity of boots and shoes now required for use is not in proportion to the number of shoe workmen; consequently in New England there has been full work for them only *ten* months of the year, and so wages have been low. With the removal of the duties referred to the increase which would follow in the quantity of boots and shoes to be made would be sufficient to cause these men to be fully employed all the year, and then there would be but little difficulty in adjusting the rate of wages."

In view of these facts and considerations, the Commissioner submits the following recommendations:—

First, that the importation of hides and skins of every description, and all leather except morocco, japanned and patent leather, be hereafter admitted free of duty. It has been shown above to what extent the existing duty of ten per cent. forms a burden upon the production and manufacture of boots and shoes for American consumption, and upon the production of leather to be used in that manufacture. An additional and even stronger reason for the removal of the tax is found in the fact that the present duty is, so far as the most careful canvass of the trade allows the Commissioner to determine, the only obstacle to the revival of the export of leather and its manufactures from the United States at the present time. The Commissioner must not be understood that no other cause operates to put the American producer at a disadvantage in this line of articles; but that, notwithstanding the injurious effects of an inflated and irredeemable currency upon this as upon all other branches of business, the superior endowments and facilities enjoyed by this country for the making of leather and for the manufacture of articles from it, particularly boots and shoes, are so decided and considerable as to afford very strong assurance that, by removing the duties on hides and skins, leather could again be exported in great quantities; while, by reducing the cost of leather to the manufacturer, the export of boots and shoes to the British Provinces and to Central and South America and Australia, which formed so considerable a part of that trade before the war, will revive at an early date. It is very suggestive in this connection that

hides and skins are now being imported from South America into Canada (landed at New York and sent clear across the United States under bond for exportation), tanned there, and exported to England in large amounts; and that in consequence of the advantage enjoyed by the trade in Canada from the absence of duties upon the material, some of the most important American establishments upon the frontier have been moved across the line and are sharing in the benefit of a production which enjoys access to all the markets of the world.

It must be remembered that the cost of labour (which is the element of production on account of which protective duties are especially claimed) is comparatively inconsiderable in the manufacture of leather. At the same time, the United States, as the producer of this article, enjoys the advantage of cheaper tanning materials and more perfect and extensive apparatus and machinery than any other country in the world. Bark, which in England costs from $25 to $35 a cord, can be had here of equally good quality for $5 and upwards, according to locality, the greater portion used probably not exceeding $6. The American superiority in processes and machinery is no less marked. Splitting machines are but little used in England, leather being generally reduced to the required thickness by the old-fashioned method of shaving down, which is equally wasteful of labour and of material. So far is this true that, even since the total cessation of our export of leather, "splits" have been shipped in considerable quantities to England, for the reason that they are not made there to any extent.

The manufacture of boots and shoes has experienced the same effects from the imposition of duties as the raw material. Indeed, the duty upon hides may be taken as the measure of the duties successively laid upon manufactures from them; that is, the duty on hides is the only thing which makes the duty on leather necessary. Give the tanners and leather dressers of the country free hides, and they will need, and will ask, no protection against imported leather. Again, give the boot and shoe manufacturers their material at such prices as could be afforded with free leather, and they will need no protection against imported boots and shoes. Indeed, they hardly require any at the present time for the purpose of commanding the domestic market, even though their material is taxed as it is. The processes of manufacture are so much better understood here than abroad, that in both quality and price the American trade article of pegged goods is superior to any of French or English manufacture; and it is only the enhancement of the cost of production by the duty under consideration which prevents the exportation of boots and shoes at the present time from the United States to a very great extent.

Second, the Commissioner would further recommend the free importation of hemlock or other barks used for tanning; of sumac, and of the fabrics of wool known as lasting and serge, when the same are woven or made in patterns of size, shape, and form, and cut in such manner as to be fit for shoes or bootees exclusively, and not combined with indiarubber.

RELATION OF THE TARIFF TO THE COST OF IRON.

The examples of tariff influence in increasing cost and restricting production and consumption, thus far cited, are of such a character that it would seem to be only necessary to present a clear statement of the facts in order to insure a prompt remedy. We now propose to cite some illustrations of a class of cases where excessive and unnecessary duties have been imposed and maintained, with a view of enhancing the cost of articles indispensable to many other branches of production; and this, too, with a full knowledge and demonstration of the fact that the detriment thereby brought to industry in general far outweighs any measure of benefit which can possibly accrue to the special or class interest thus favoured. Of such cases the article of pig iron constitutes a conspicuous example.

The average expenditure requisite to produce a ton of pig iron in the United States at the present time, including a liberal interest upon the capital invested and a fair allowance for repairs and incidentals, may be fairly estimated at from $24 to $26, currency; and as confirmatory of this estimate, the Commissioner submits the following evidence:—

In a letter under date of September 2, 1869, Mr. George T. Lewis, of Clarksville, Tennessee, who is endorsed as one of the most intelligent and experienced iron manufacturers of the South-west, says: On the line of the Nashville and Chattanooga Railroad, pig iron can be made *and delivered* in Nashville at a cost of $19 per ton, currency. In the city of Nashville itself Mr. Lewis states the present cost, including interest on capital and incidentals, at $22 60, currency, per ton. At Carondelet, Missouri, Mr. S. Waterhouse, of St. Louis, in a letter under date of February 20, 1869, states the cost of making pig iron, including an allowance of $1 50 per ton for interest, taxes, and insurance, at $25, currency, per ton; and adds, this "is not an estimate, but an exhibit copied from the books of the company." The distance of Carondelet from St. Louis, a central market, is six and a quarter miles. An estimate furnished by one of the largest iron-works at Pittsburg, Pennsylvania, gives $27 98 as the cost per ton when ore of sixty-six per cent. is used, and an allowance made of eighty cents per ton for interest and twenty-five cents per ton for repairs and incidentals. In the valley of

the Cumberland, and in the anthracite districts of Pennsylvania, and at Scranton, the Commissioner is informed by those conversant with the business that the average cost of manufacture in the case of furnaces favourably situated, under good management, and with coal at ordinary prices, is not in excess of from $24 to $26 per ton, and in some instances is much less than this figure. These estimates furthermore, it should be observed, include a liberal interest on the capital invested, which is turned on an average from two to three times per annum.

The mean market price of pig iron in Great Britain for the year 1867-68, taking Welsh pig (the best quality) as a standard, was £4 3*s.* 9*d.* ($20 39), or (with gold at 133) $27 12.

The average price of all the varieties of pig iron in the principal markets of the United States for the past year is estimated by the secretary of the American Iron and Steel Association at $35 25 per net ton. Other recognized authorities report a higher average to the Commissioner, viz., from $36 to $36 50 and $37 50 as a fair average in New York City. The average value at the furnaces of the Lehigh Valley during the past year has been about $38 for No. 1, $36 for No. 2, and $34 for No. 3. It is therefore obvious that, adopting the minimum market price, and allowing for the cost of one hundred miles of railroad transportation, the price of pig iron to the American consumers has been unnecessarily enhanced during the past year to an average of *from eight to ten dollars per ton;* the result of which, in short, is that, while the average cost of producing pig iron, reckoned on a gold basis, is but little, if any, in excess of the average cost in Great Britain, and less than the average cost of production upon the continent of Europe, the price of iron to the consumer in the United States is greater than in any other civilized commercial and manufacturing nation.

Now, it is not necessary for the Commissioner to enter into any extended argument to show the disadvantage under which the United States is placed as a nation by reason of this state of things, be the cause what it may. The mere fact of an increased cost is of itself a sufficient and unanswerable argument for an immediate abatement of the same at almost any sacrifice; inasmuch as iron is the essential element of modern civilization, and whatever enhances its price restricts its consumption and use, increases the cost of all production and transportation, and checks development. A striking illustration of the truth of this is to be found in the fact that there is to-day upon all of the inland lakes and canals of the United States hardly a single boat or vessel constructed of iron engaged in the transportation of merchandise, although the introduction of such boats or vessels, by reason of their smaller displacement, would be

equivalent to an enlargement of the Erie Canal or the deepening of St. Clair Flats (an iron vessel of 1,200 tons drawing thirteen inches less water than a wooden vessel of the same tonnage and burden). To this advantage must also be added the increased economy due to greater durability and reduction of insurance.

That the excessive cost of iron is now the principal reason why such vessels are not constructed admits of demonstration. In 1867 an enterprising citizen of the North-west visited Great Britain for the purpose of contracting for an iron vessel suitable for the grain trade of the upper lakes. This vessel it was proposed to ship in sections, and with the patterns and some skilled workmen, imported, to establish an iron ship-building yard in the vicinity of Chicago. The project, however, was abandoned when the aggregate of the duties on the proposed imports, ranging from thirty-eight to sixty-six per cent., were calculated; and so Chicago still waits for the inception of what, at some day, must constitute one of the greatest industries of the North-west. The Commissioner is also informed that, but for the extreme cost of iron, a line of iron boats would have been constructed during the present winter, and placed on the Erie Canal during the ensuing spring.*

* On this point, also, a representative of one of the best-known establishments engaged in the construction of iron vessels thus writes to the Commissioner:—

"WILMINGTON, DELAWARE, *October* 9, 1869.

"Since 1854 improvements in the machinery used by iron-ship builders for utilizing and economizing labour have more nearly brought together the prices at which the hulls of first-class iron and wooden ships can be built; and now any iron-ship builder having practical experience in his business, and whose works possess the modern appliances for economizing material and labour, can furnish an iron ship at the same or even less cost than a wooden one of the same size and model can be built for, if the latter be made of first-rate sea-coast oak, copper-fastened and coppered; while the iron ship will outlast the wooden one in the proportion of two to one, and always carry upon the same displacement fifteen to eighteen per cent. more cargo, with the absolute certainty of no damage being sustained from leaking.

"It is the general opinion that the English builders of iron ships have great advantages over those of our country in the matter of greatly cheapened labour. From the personal knowledge of gentlemen well acquainted with the methods of conducting work in the best English and Scotch yards, and whose knowledge of the business enables them to decide intelligently upon this point, and whose information has been fully communicated to the writer, he is clearly of the opinion that any advantages they may have in this regard is quite counterbalanced by the superior mechanical appliances and labour-saving machinery in use at the yards of the American builders.

"A little reflection supplies a reason for this seeming anomaly. The high rates of labour which have ruled in this country for a number of years have forced our American builders to avail themselves of all the labour-saving machinery which the natural mechanical skill of our people, fostered

But the usual and almost the only argument offered in reply to such statements as that above given is, that a continuance of the present duties imposed on pig iron is necessary to insure employment to American labour. To this the Commissioner would reply, that all the facts show that a reduction or entire repeal of the duty would in no degree affect the manufacture, but only reduce its profits to a par with those realized in other branches of domestic industry; and, furthermore, that under an abatement or repeal of the duty no more pig iron would be imported than at present, for the American manufacturer would simply reduce his prices, and thus retain, as now, full command of the domestic market. It is also to be noted that, if the duty on pig iron were entirely removed, the American producer in the interior would still enjoy a protection in the cost of transportation to the extent of at least $1 50 per ton for every one hundred miles that intervene between the place of production and a port of entry, which circumstance renders the transport of a single pound of foreign pig iron to any considerable distance into the interior a matter of ordinary commercial impossibility. It is also well, when the claim to the maintenance of high duties on pig iron is preferred in behalf of labour, to consider what amount of protection and opportunity for employment is thereby taken away from other branches of industry. In the case of ship-building this point admits of determination with approximate accuracy.

	Tons.
Thus the sea-going tonnage that would have been built in the year 1866, according to the average rate of increase from 1827 to 1857, would have been.....	500,000
Deduct the amount built in 1867.....	50,000
And we have.....	450,000

by a generous system of patent laws, has placed at their command; and to-day we find that a given sum of money expended in labour upon an iron ship in an American shipyard of first class will produce as much and go as far toward her construction as the same sum applied in England.

"In the construction of iron ships nearly six-tenths of the whole cost is for labour alone, the remaining four-tenths representing the material consumed. Now it is my opinion that, if Congress would repeal the law taxing imported iron, or at least that which was used for the purpose of building iron ships, then American iron-ship yards would in a single year rival in activity those on the Clyde, and American iron steam merchant ships be found in every port in the world, as English-built vessels are now, and the commerce of our country, without which no nation can rate as a first-class Power, which to-day lies crushed and flattened ('protected' to death), would more than regain its former measure of greatness."

An amount equivalent to six hundred ships of seven hundred and fifty tons each. At the present ratio in England but ten per cent. of these would have been of wood. But to build these six hundred ships would have employed for the year a force of about thirty thousand men, or more than two and a half times as many as are at present *directly* engaged in the manufacture of pig iron.* To man these six hundred ships six thousand men for the year would have been necessary; and to supply them with chains, canvas, rigging, and other furniture, would have further required the labour of at least four thousand more men. So we may estimate that this protection to the manufacture of pig iron by twelve thousand five hundred men directly, or fifty-two thousand five hundred, both directly and indirectly, in 1867, so enhanced the cost of iron, as to deprive more than forty thousand other workmen of employment during that same year, in connection with the single industry of the building, equipment, and sailing of sea-going vessels; to say nothing of the construction of vessels for use upon our inland waters. Another illustration of the benefit likely to accrue to domestic industry from a reduction of the rate of duty on pig iron is to be found in the recent experience of the country in respect to imported scrap iron, which article, through a probable oversight in the first instance, is admitted at the comparatively low rate of eight dollars per ton, or one dollar per ton less than is imposed on foreign pig iron. The result has been, that nearly all the rolling mills in the country, within two hundred miles or more of tide-water, have gladly availed themselves of the opportunity to use this product; and the mere ability to so use it has, in very many instances, constituted all the difference between running the mills at a moderate profit, or running at a loss, or entire suspension. Furthermore, little rolling mills, adapted to use scrap iron exclusively, have sprung up at various points along the seaboard, affording steady employment to large numbers of labourers, and constituting the centre of other little domestic industries; and all this without bringing anything of detriment to the revenue, to any other branches of industry, or to the community in general; but, on the contrary, it has increased the revenue, developed and strengthened the business of production, and benefited consumers.

But it is frequently asked: Why, if the production of pig iron is as profitable as is represented, is not a greater amount of capital attracted to its manufacture; and why is not production

* The whole number of workmen at present engaged at the blast furnaces of the United States is estimated at twelve thousand five hundred; in addition to which, however, forty-two thousand are estimated as engaged in the preparation of coal and ore for the same.

stimulated to an extent sufficient to reduce prices through competition to a minimum? The answer to this is simple: capital does flow and is flowing into the manufacture of pig iron in the United States to as great an extent as could be expected in view of the present conditions of its supply and distribution, and to a greater comparative extent than is the case as respects any other specific branch of manufacturing industry. The present increase in the consumption of pig iron in the United States is at the rate of about ten per cent., or 170,000 tons per annum, to meet and supply which not only must every existing furnace be kept working to its present capacity, but twenty-eight new furnaces, of a capacity of six thousand tons each, must be annually added, involving new capital to the extent of from five to seven millions of dollars. Anything less than this would occasion a deficiency; and, in fact, so closely does consumption press upon supply, that for the last three years there never has been at any one time a considerable surplus upon the market, but, on the contrary, the price-currents have been characterized by expressions like the following: "*Prices unchanged, with scarcely enough in market to make any business;*" "*Offerings few and stock exhausted;*" "*No. 1 continues very scarce, with the demand in excess of supply; No. 2 is also hard to find.*" Nor is this all; for, in addition to the annual increase in production necessary to meet the requirements of consumption growing out of the natural increase of wealth and population, a further increase is constantly demanded to meet the new conditions of civilization in respect to engineering and the mechanic arts. How great the demand of the future is likely to prove may be inferred from the circumstance that, while the *per capita* consumption of Great Britain and Belgium, after allowing for exportation, has reached one hundred and eighty-nine pounds per annum, the present annual consumption of the United States is not in excess of one hundred pounds *per capita*. No nation, furthermore, at the present time, with the exception of Great Britain, is producing pig iron in sufficient excess of its needs to allow of a surplus for exportation; and in Great Britain the prospect of any future increase is entirely dependent upon the uncertain condition of her being able to supply coal on a scale of consumption that is already in excess of one hundred and four millions of tons per annum. The assumption, therefore, that the continuance of the present protective duty on pig iron is necessary to the maintenance and expansion of this branch of industry in the United States, or that domestic competition alone is likely soon to reduce prices, is one that has no good or sufficient foundation.

In view, therefore, of the above facts, the Commissioner would

recommend a reduction of the existing duty of *nine* dollars per ton on the importation of pig iron to *three* dollars; and in this recommendation the Commissioner has good and sufficient reason to believe that he is sustained by a majority of the proprietors of rolling mills and other workers of iron, who are not at the same time interested in the production of pig metal; while members of the American Iron and Steel Association have not hesitated to express their sympathy with any movement looking to some abatement of duty in this particular.

SALT, COAL, AND LUMBER.

The Commissioner would renew the recommendations of his previous report in favour of the abatement of the duty on salt, and the entire removal of the duties on coal and on manufactured lumber, on the general ground that the benefit likely to be experienced by the few from a continuance of these taxes affords no sufficient compensation for the detriment which these continuances seem to entail upon the many.

Salt.—The specific character and influence of the duties imposed on salt were so fully discussed and illustrated in a former report, that the Commissioner will at present call attention only to the following points:—

1st. Their excessive character is strikingly shown by the circumstance that if the government were to exact its duties, like tithes, in kind, it would require that each vessel arriving in the United States with a cargo of foreign salt should be accompanied by another of equal size, and a third smaller craft of from eight to fifty per cent. capacity of the former, to convey the duty.*

2d. That the existing duty is not required to sustain and develop the domestic manufacture of salt is proved by the fact that the United States annually exports upward of five hundred thousand bushels of salt to the British Possessions, and main-

* As illustrating the actual *ad valorem* duty on foreign salt, the following table, showing the amount of salt withdrawn from bond for the fisheries in the district of Gloucester, Massachusetts, for the third quarter of the calendar year 1869, with the value, amount of duty remitted, and the duty, specific and *ad valorem*, as officially returned, is herewith submitted.

Months.	Pounds.	Rate.	Value.	Duty.	Per cent. of value.
July.....	4,184,433	18 c	$4,853	$7,532 00	155·20
August.....	2,4 [illegible],350	18 c.	2,724	4,335 02	159·14
September.....	1,429,995	18 c.	1,730	2,573 96	148·78
Total	8,022,778	...	9,307	14,440 98	155·16

tains such an export year after year in defiance of all competition; and further, that for the purpose of retaining full control of the domestic market, salt is always sold by the domestic producer to fishermen, who have the right to withdraw salt from bond free of duty, at rates which admit of no advantage as respects price to the use of the imported article.

3d. As regards the profits which result from the manufacture of salt in the United States under the present system, the Commissioner, in addition to the evidence previously presented, will ask attention only to the following table showing the cost of making salt at one of the principal furnaces on the Ohio River for the year 1868:—

Number of bushels (of 56 pounds each) produced	327,000		
Cost of barrels	$23,468 99	or	7·18 cents per bushel.
Cost of coal	19,902 19	or	6·09 cents per bushel.
Wages and Salaries	21,075 96	or	6·44 cents per bushel.
Repairs and incidentals	10,584 50	or	3·24 cents per bushel.
Total	75,031 64	=	22·95 cents per bushel.

To this must be added the cost of transportation, interest, commissions, &c.

The cost of manufacturing 319,000 bushels of salt at the same furnace in 1860 was 13·38 cents gold per bushel, or (with gold at 133) 17·84 cents currency. The average market price of salt in 1860 was from 20 to 23 cents per bushel gold, or (with gold at 133) 26⅔ to 30⅔ cents currency. The price of salt in Cincinnati in 1868, was 48 cents currency. It thus appears that while the cost of manufacturing has advanced 5 cents per bushel, currency, since 1860, the market price for salt during the year 1868 advanced 17 to 22 cents per bushel.* The Commissioner could name the rate of dividend paid during the year 1868 by the furnace referred to, were it not communicated confidentially. The reader can, however, approximately determine it by calculation.†

The Commissioner does not assert, and never has asserted, that the manufacture of salt under all circumstances, in the United States, is always attended with large profits; but he does assert, that when this industry has been established under favourable conditions, and is conducted with skill and energy, it

* In November 1869, the market quotations of Ohio salt in Cincinnati were from forty to forty-five cents per bushel.

† It is pertinent to this discussion to here call attention to the fact that one of the first acts of the new and more liberal government of Spain, on its accession to power, was to abolish the government monopoly of salt (heretofore an important source of revenues to sell the national "salines," and to permit importations.

is sufficiently remunerative to sustain itself without the assistance of duties ranging from eighty to one hundred and fifty per cent. And in proof of this he asks attention to the following extract of a communication addressed to him by the agent of one of the largest salt-producing associations in Western Virginia.

"The cost of making salt here is very variable, and dependent not only in a large degree upon the quality of the brine and size of furnace, but upon the personal energy of the proprietor and his acquaintance with the business. There are some of our furnaces which I am sure are operated with very slight or no profit, while others, by the purchase of superior property, and free investment of capital and skill, are enabled to make substantial profit. A furnace with a capacity of less than two hundred thousand bushels per annum is not a profitable investment here—I mean will not invite investment, although such furnaces are operated here, because the small profit will keep the property in repair which one year's inactivity will almost destroy. A furnace having that capacity, if it can be increased to say two hundred and fifty thousand bushels, *will find the extra quantity almost entire profit.* A larger increase in quantity would require much more capital, but still the proportionate profit is greater on all above two hundred thousand bushels."

Now if there is anything of value in the above testimony, the question in respect to the manufacture of salt in West Virginia resolves itself simply to this. Good furnaces, properly located and managed, can make large profits; furnaces improperly located and improperly managed, cannot. Shall the whole people of the United States be taxed on the consumption of one of the necessaries of life, to help maintain branches or forms of industry which, by the very conditions of their existence, never can be made remunerative, and whose continuance involves a misapplication and waste of both capital and labour?*

* In this connection, the following correspondence, addressed to the Commissioner, has much of significance. Under date of August 2, 1869, Duncan Stewart, President of the Saginaw (Michigan) Salt Association, writes to the Commissioner: "Salt can now be made at Saginaw in great abundance at very low rates, where the making of it is carried on in connection with saw-mills and shingle-mills. Using exhaust steam and waste wood for effecting evaporation, I am satisfied it can *be made in that way in sufficient quantities to supply all the western States, at a price so low that no section of the country can compete with the Saginaw Valley in the markets of these States. One thing is certain—no higher tariff is needed for the protection of Saginaw salt than that now in force, and it should be cut down one-half, the present high tariff being simply an outrage on the best interests of the country.*

"If the business has not paid much in the way of profit heretofore, want of knowledge of the business, bad management in some cases, dishonest management in others—with a reckless competition among makers—the hostility of Syracuse, and a steamboat combination for high freights, were such obstacles to success that it is a great marvel that the attempt to make salt in the Saginaw Valley did not prove an absolute failure. A determined

Lumber.—The following table shows the advance which has taken place in the price per thousand feet of mixed lumber, by the cargo, in Chicago, from 1861 to 1868, inclusive :—

	Mean of daily averages.
Year ended December 31, 1861...	$6 50 per M feet.
,, March 31, 1866.....	14 80 per M feet.
,, March 31, 1867.....	17 70 per M feet.
,, March 31, 1868.....	15 10 per M feet.

The following table, compiled by William G. Thomas, Esq., of Albany, New York, gives the relative value of pine lumber in that market from 1859 to 1868, inclusive :—

	Per M feet.		Per M feet.
1859.....	$15 94	1864.....	$31 21
1860.....	16 23	1865.....	22 12
1861.....	14 46	1866.....	29 83
1862.....	15 02	1867.....	27 42
1863.....	23 69	1868.....	25 95

spirit of perseverance has overcome all difficulties, and nothing now is wanting but prudent management to give Saginaw the entire control of the markets of the Western States."

"SPARTA, GEORGIA, *March* 26, 1869.

"*To the Special Commissioner of the Revenue.*

"SIR,—In answer to your inquiry respecting the use and necessity of salt in the cultivation of cotton, I would say I have been engaged for the last twenty-two years in planting. I find salt to be essential to success in the cultivation of cotton. In combination with guano and plaster it is an almost total preventive of rust, which is one of the worst enemies the cotton planter has to contend with. Salt makes the cotton bear longer in the season, and stand drought better.

"The price of salt varied before the war in Savannah from fifty cents to one dollar, according to supply. In January, 1861, I bought five hundred sacks (two hundred pounds) of salt for fifty cents per sack. In January last I purchased in Savannah two hundred sacks at $1 90 (which was the lowest point) to $2 25.

"In my opinion, all means should be taken by the government to lessen the cost of cotton, as it costs much more to produce it than formerly. All manures should come in as raw material to be grown into crops. What is the difference in growing raw manure into cotton-lint and manufacturing raw material into fabrics?

"I am, yours respectfully,
"DAVID DICKSON."

The Commissioner would add, that it is now proposed to take advantage of that provision of the existing tariff which allows of the import of fertilizers free of duty, by mixing salt with Prussian blue or unrefined petroleum, and then importing it as a manure; or, in other words, of destroying a portion of the utility of an indispensable article at some considerable cost as a condition of enabling agriculturists to obtain it at a reduction of price. One is tempted to inquire, in view of this circumstance, whether we are really living in the last half of the nineteenth century, or have gone back to the dark ages.

The statement, therefore, made by the Commissioner in his report for 1868-69, and which has been questioned, "that the increase in the price of lumber since the commencement of the war has been far in advance of the average increase in the price of labour and of other commodities," is fully confirmed.

The above tables also clearly illustrate the effect of the imposition of the tariff on prices. Thus the existing duty of twenty per cent. on lumber became operative on lumber imported from the British Possessions (our only foreign source of supply) by the expiration of the reciprocity treaty in the spring of 1866. The subsequent advance in prices in Chicago was from $14 80 per thousand feet in 1865-66, to $17 70 in 1866-67; and in Albany from $22 12 per thousand feet in 1865, to $29 83 in 1866, and $27 42 in 1867. As the prices paid for lumber, furthermore, have been as a rule higher in Canada since the expiration of the reciprocity treaty and the imposition of the twenty per cent. duty, while the sales have been larger, it is evident that the duty falls wholly upon the American consumer.

Coal.—The Commissioner would also again renew his recommendation for the entire removal of all duties imposed upon the importation of coal, on the broad general principle that a tax upon coal is not justifiable except in the case of such an extreme emergency as would justify a tax upon the breadstuffs and food of a nation. Such an emergency of course may arise, for there are times when taxes which trench upon and absorb capital become necessary and justifiable; but such extreme occasions can be only temporary. Further than this, objections to a tax upon coal to meet the ordinary requirements for revenue may be briefly stated as follows: Coal is a necessity of life—next in importance to food; indeed, as both are in our climate absolutely indispensable, it cannot be said that either is more or less needful than the other, for life cannot be sustained without both. The universally recognized principle of taxation—that a tax should be taken from what can be spared—forbids the laying of a tax upon that which is indispensable to rich and poor alike. Coal, moreover, is not only a necessary of life, but the source of motive power. To tax coal, therefore, is to tax power; to tax the force of the steam-engine, to starve the labourer on whose strength we depend for work. To do this as a part of a plan of promoting domestic industry seems the reverse of wisdom.

In 1862, when the internal revenue system was projected and the necessities for revenue required that the system of taxation should be all pervading, an internal tax was laid upon coal of three and a half cents per ton. This was raised to five, and afterward to six cents, under which rates $1,240,106 was collected for the year 1865-66. But it is worthy of remark that

this tax, trifling as it was in amount, was among the very first to be repealed; and this circumstance may fairly be looked upon as conveying the sense of the country upon the expediency of such a tax for revenue. The question of an excise upon coal may be considered, therefore, as definitely settled. But if an excise is unwise, can anything be said in favour of an import duty? In fact, an import duty as a source of revenue is still less justifiable. All taxes should be as equally borne by the community as possible. A tax which reaches only one part of the country and leaves all the rest untouched is manifestly unjust.

A law which enacted in terms that a duty of fifty per cent. upon an article should be levied at Pittbsurg, Cincinnati, and St. Louis, while no duty on the same should be paid in Boston or New York, would be so manifestly monstrous that the proposition would not receive a moment's thought; yet an import duty on coal produces a precisely similar result. It can affect only a very small portion of the country, which the rest escapes from. Nature has been bountiful to the United States in many things, but in none more so than in the distribution of coal over its surface. Of the immeasurable wealth to grow out of it no one can adequately conceive. But in this provision New England, New York, and the Atlantic coast have no immediate part. The coldest, and so most dependent on fuel; the oldest, and so most bare of wood; the most densely peopled, and so the largest consumers of fuel in proportion to its area—this portion of the country happens to be the only part upon which a coal duty bears at all. It would seem as if no fair-minded person could wish to have this point urged further. But when it is considered that manufactures such as iron, in which fuel is most largely used, are carried on in New York and New England in competition, to a certain extent, with those parts of the country where coal is untaxed, because found on the spot, the gross unfairness of a tax upon the productive industry of one section that is not borne by the other seems more obvious.

When a duty is imposed on tea, coffee, or spices, it is equal all over the country. Let us suppose that the duty on coal as now fixed—$1 25 in gold, equal to, say, $1 50 in currency, per ton—were levied upon all the coal used in the country, as the duty on tea is levied upon all tea, would it be borne with equanimity? The amount of such a duty, if collected, would exceed $25,000,000 in currency. The suggestion seems monstrous, and yet the coal duty now levied does actually, to the extent of the area to which it is confined, burden the industry subject to it to that extreme degree. It is hard to enlarge upon such a proposition—a plain question of equity, of fair play, needs only a plain statement, and not an elaborate argument.

But this duty is urged as a *protective* measure. The theory of protection is the encouragement of particular industries by prohibiting or obstructing the competition of foreigners who are engaged in the same industries; but when its aid is invoked to justify the obstruction of an industry in our own country, for the gain of persons engaged in another form of industry, it would seem to require some justification stronger than a mere word. The protection of coal means, then, the enhancement of its price by a duty, so that the consumer may be obliged to buy coal raised in the United States rather than that procured abroad. This duty is necessary because it is impossible that the parts of the country destitute of coal should be supplied with it as cheaply if raised in the United States as if brought from abroad. This increased cost is not a question of skill, or capital, or wages, but a mere question of the amount of labour necessary to produce a certain result.

The cost of coal in any market consists of the cost of raising the coal (an amount varying but little in different places) and the cost of transportation to the place of consumption. This latter is always the larger, and increases regularly with the distance. Every coal-field has an area which it can naturally supply more cheaply, *i.e.*, with less labour per ton, than any other can. Each place, then, has its natural source of supply. If an obstacle to transportation exist between it and the nearest coal-field, a more remote field is sought so long as that obstacle exists. It may be that a railway or canal has been destroyed by a flood, or a river course dried up by a drought; for the time being, the supply comes from the more remote and expensive source. This happens sometimes on our western rivers. The cities of Cincinnati and Louisville have occasionally seen winter approach when there was an insufficient supply of coal on hand, and the Ohio River, their natural highway, was too low for navigation. In this case, the railroads in Ohio are relied upon to make up the deficiency; but, of course, they do it at a great increase of cost. While the low water continues they are "*protected*" against the cheap transportation of the river. Now this obstruction to a cheap supply, deprecated justly as a public calamity, is in its results precisely analogous to the obstruction offered by a duty to the cheap supply of the North-eastern States with coal from Nova Scotia.

If the enhanced price paid by the consumer for his coal, in consequence of the existence of this duty, were all paid to the Pennsylvania miner, it would be, of course, great injustice; but the country would be none the poorer because the law took money from one man and gave it to another. But it happens that, while the consumer pays the increase, the immediate pro-

ducer is not benefited, inasmuch as the whole enhanced price is expended in paying for the transportation of the coal to a greater distance—in other words, the payment is for unnecessary transportation, *i.e.*, useless labour. Now, no acquisition of skill can change this. It is fixed by the laws of nature. To the end of time it will cost more, *i.e.*, it will take more labour to bring every ton of coal from Western Pennsylvania across the Alleghany Mountains to the north-eastern seaboard, than to bring it from Nova Scotia. So long as a duty makes it possible to bring coal from the former source, so long that unnecessary work will be done; but the price does not represent a profit, but the cost of useless labour.

The theory of *protection*, then, as applied to coal, is that, in order to promote American industry, the source of motive power must be enhanced in price, and so production to that extent discouraged and obstructed in order that unnecessary labour may be paid for. Now, considering that the ingenuity of man has been and is daily taxing itself to save labour in all forms of production, and that the United States especially has no surplus of either labour or capital, can anything be more retrograde than such a policy? But if protection be wise in this matter, all parts of the country should have the benefit of it—yet that is impossible. The field of protection is as narrow as the field of exaction; as the duty is borne by only one section, so the benefits of protection (if any) are enjoyed by only one; and so, again, the law of the equality of burdens and benefits is violated.

In Gulliver's Voyage to Brobdingnag occurs this passage: "And he gave it for his opinion, that whoever could make two ears of corn, or two blades of grass, to grow upon a spot of ground where only one grew before, would deserve better of mankind and do more essential service to his country than the whole race of politicians put together." The Commissioner leaves it to his readers to make the application.

WOOL AND WOOLLENS.

In March, 1867, an act was passed by Congress increasing the duties on the importation of wool and woollens to a degree unprecedented, and far in advance of the average rate of the then existing tariff. The object aimed at was to promote alike the interests of the grower of wool and the manufacturer of fabrics. The results attained to, however, have been so remarkable and so contrary to expectation, that a detailed history of the whole movement deserves to be put on record as a most important contribution to *politico-economic* science, and as affording a new and most striking illustration of the impolicy of the oft-

renewed effort to unnaturally influence the course of industry and trade by a resort to legislation.

The breaking out of the war in 1861, and the curtailment of the usual supply of cotton, created both in the United States and in Europe a greatly increased demand for wool and for woollen fabrics, and prices, as was to have been expected, advanced in proportion. Domestic fleece wools in New York rose from thirty-five to forty-eight cents per pound in April 1861, to ninety to one hundred and seventeen cents in August 1864; and manufacturers who had stock on hand, or contracted for during the first years of the war, or who afterwards bought progressively, realized immense profits.*

At the close of the war (which was followed by a marked decline in the prices of wool), a number of gentlemen claiming to represent the wool-growers of the United States, but who appear to have been more especially interested in the breeding of sheep than in the growing of wool, conceived the idea that, if all foreign wool could be shut out by legislation from competition with the domestic product, the war prices of domestic wool could be maintained, and great gain be thereby made to accrue to all concerned. Measures to accomplish this object were accordingly set on foot; and as the scheme looked especially toward the promotion of the interest of the agriculturists of the country, it gave promise of success from its very outset. Meantime the manufacturers of wool, clearly perceiving that a restriction of supply and increase in the price of wool would place them at a disadvantage in respect to foreign competition, became alarmed, and proposed co-operation to the Wool-growers' Association. The offer was accepted, the parties entered into union, and by means of delegates entered upon

* In his report for 1866-67, the Commissioner called attention to the circumstance that, although the profits which had accrued in the manufacture of cotton during the period of the war were acknowledged by one of the leading manufacturers of the country to have been "painfully large," yet such profits were the result of extreme advances in the prices of raw and manufactured material previously on hand rather than of the operations of strictly legitimate business; and in proof of this assumption a statement was submitted, showing that in the case of one large cotton manufacturing corporation in New England, if their mills had been burnt at the commencement of the war, their insurance lost, and their whole capital, other than that invested in cotton, sunk, but the cotton on hand sold at the highest obtainable prices, the result would have afforded to the stockholders a permanent annuity of at least twelve per cent. on their original investment. Now, what was true of cotton manufacturing at that period was equally true of the wool manufacture; and in a majority of instances the large profits realized by the woollen manufacturers of the United States from 1863 to 1866 were due rather to the rise in the price of their raw material than to any legitimate profits derived from the manufacture and sale of their productions.

their work. What was this work? Not to increase the revenues of the national treasury; not to promote the interests of the great mass of the people to whom woollen fabrics are almost as much a necessity as food and shelter; nor to increase the wages or comforts of the labourers who grow the wool or manufacture the cloth; but simply and exclusively to influence legislation for the promotion of their respective private gains and interests.

The basis of the agreement on which the two interests united was substantially as follows:—

That the duty on raw or unwashed wools and hair, other than wools adapted for carpets, should be fixed at rates varying from ten to twelve cents per pound, and from ten to eleven per cent. *ad valorem*. In order, then, to compensate the manufacturer for such a prospective enhancement of the price of his raw material, it was agreed that, in consideration of the fact that *four* pounds of the cheapest imported wool (mestiza), paying an aggregate duty of forty-six cents, were *sometimes* employed in the fabrication of a pound of finished cloth, the duty on cloth should be fifty cents per pound, and on other fabrics of wool of varying weight a duty in like proportion. In order, next, to give the manufacturer protection against his foreign competitor, twenty-five per cent. *ad valorem* was added; and in order to further compensate for the payment of an internal revenue tax of six per cent., *which tax was repealed in the succeeding year, ten per cent. more was added*, thus making the aggregate duties on cloths, shawls, and woollen goods generally, fifty cents per pound * and thirty-five per cent. *ad valorem*. It will thus be seen that if the manufacturers, as is often alleged, did not enter into the arrangement for an increase of duties through their own seeking, they nevertheless managed to secure full compensation for all that was granted to the wool-growers; and in addition to that, through force of subsequent circumstances, an additional protection in excess of what, according to their own showing, they considered necessary.

Nearly two years have now elapsed since these measures were consummated, giving ample time for experience to test the principle. And what, to-day, is that experience?

1st. Wool to the agriculturist at a lower price in gold than has almost ever before been experienced; the average price of medium

* It is worthy of note, as constituting a valuable precedent for a certain class of American economists, that Charles V. of Spain imposed, in 1519, a duty similar to that of the present United States tariff, viz., fifty cents per pound on all woollen cloth imported into the kingdom; and that under the influence of this and other similar measures the wool production and woollen manufacture of Spain gradually sank into insignificance.

American washed wools from 1827 to 1862 having been $42\frac{6}{10}$ cents per pound (gold), while the average price of Ohio wools for the year 1868, reduced to gold, was only 35·21 cents; which is less than the average price of 1858, when, under the influence of the disastrous crisis of 1857, a large portion of the mills of the country were standing absolutely idle. For the year 1869 the price paid in Ohio for medium wools, according to estimates presented to the Commissioner, has been about 43 cents, currency.

2d. A decrease in the number of sheep in the United States, estimated by the Commissioner of Agriculture at *four millions* for the single year, 1868, while other authorities place the total decrease as high as twenty-five per cent. since the passage of the wool tariff.

In the whole history of the fluctuations of American industry there never has been a more discouraging and disastrous record than that presented by the Department of Agriculture in its report for March and April, 1869; some seven pages of which are occupied with a detailed statement of the condition of sheep husbandry in one hundred and seventy counties of twenty-one different States, in only one of which, Missouri, is there anything which indicates a condition of even moderate prosperity for this particular branch of industry. As illustrating the nature of these statements, we give the following quotations:—

Vermont.—Orange County—The best wool-growers "hold on;" some have sold one-half, some three-fourths, and a few have sold all. *Orleans County*—All sheep and lambs (fine wool) that drovers would buy were sold for market last fall, and twenty-five per cent. of the remainder were sold to be killed for their pelts and tallow.

Massachusetts.—Berkshire County—Probably one-third of the flocks of last year have been sold or slaughtered; in some cases the prices were scarcely more than the value of the pelts.

New York.—Chautauqua County—Ten per cent. have been pelted or shipped off. *Genesee County*—Decrease of sheep thirty per cent. *Onondaga County*—Perhaps one-fourth have been sold; no such destruction has occurred for twenty years previously.

Pennsylvania.—Butler County—One-third of last year's flocks have been sold. *Lawrence County*—So great has been the destruction that mutton has sold for twenty-five cents per quarter all winter. *Mercer County*—Many slaughtered; some have sold seventy-five per cent. of their flocks.

Kentucky.—Greenup County—About four-tenths have been sold to be killed for tallow and pelts.

West Virginia.—Harrison County—Stocks are being sold off;

sheep husbandry is unpopular. *Ohio County*—Reduction of sheep for pelts and tallow forty per cent.

Missouri.—Worth County—Twenty per cent. sold for mutton and tallow. *Pemiscot County*—Forty per cent. of the sheep sold out of the State for mutton.

Illinois.—Menard County—Number reduced three-tenths by slaughter and shipment. *Mercer County*—At least twenty per cent. of the sheep have left the State. *Sangamon County*—Many thousands sold at about the worth of pelt and tallow. *Lee County*—Many died from neglect, and many have been slaughtered. *Logan County*—Many killed for their pelts; the number reduced from 70,000 three years ago to 18,000 now.

Indiana.—Madison County—Fully one-fourth sent out of the State. *Randolph County*—Flocks reduced one-half. *Elkhart County*—Flocks greatly reduced by sheep being killed for pelts; carcases fed to hogs. *Bartholomew County*—Probably one-fourth of the sheep killed for pelts and tallow.

Ohio.—Highland County—Great many sheep slaughtered for mutton. *Holmes County*—Large number sold, for pelts and tallow, at twenty-five to seventy-five cents per head; fifteen to twenty per cent. of the entire number. *Morrow County*—From one-fourth to one-third killed, or sold for pelts. *Putnam County*—One-fourth of the whole stock. *Tuscarawas County*—One-third of the stock. *Athens County*—Flocks reduced one-third in eighteen months. *Fulton County*—Twenty per cent. killed. *Jackson County*—Thirty per cent. sold for pelts and tallow.

Michigan.—St. Clair County—Large number killed for mutton. *Washtenaw County*—Great number killed for pelts, tallow, and mutton; the latter being sold as low as one cent per pound for inferior class. *Clinton County*—One man sold four hundred at one dollar per head. *Jackson County*—Fifty per cent. sold, mostly for pelts, tallow, and hams.

Wisconsin.—Milwaukee County—Stock much reduced by slaughter. *Rock County*—Flocks reduced one-fourth. *Buffalo County*—Flocks reduced twenty-five per cent. *Ozaukee County*—Flocks reduced thirty per cent.

Minnesota.—Le Sueur County—Flocks reduced two-tenths. *Watonwan County*—A large number killed for mutton.

Iowa.—Dubuque County—Fifty per cent. sold to butchers. *Lucas County*—Flocks reduced six to seven per cent. *Jaspar County*—Flocks reduced ten per cent. *Madison County*—Flocks reduced fifty per cent. *Allamakee County*—Flocks reduced by sale at low prices. *Des Moines County*—Stock considerably reduced. Whole flocks sold.

3d. A condition of the woollen manufacture characterized by a

greater depression than that of any other branch of industry in the country, with the exception of shipbuilding; small profits accruing to a few, heavy losses to the many, with numerous and constantly recurring failures. At the date of writing, November 1869, the attention of the Commissioner is called to the sale of a woollen mill property, which will give to the stockholders $105,000 upon a capital of $700,000, thus showing a loss of eighty-five per cent. of the whole capital in from four to five years of operations.

4th. An increase in the importation of foreign fabrics of wool; the imports for the fiscal year 1868 being returned at $32,458,884, and for 1869 at $34,620,943.

5th. Encouragement of smuggling, and its apparent reduction to a system. During the first year of the increased duties on the imports of wool and woollens into the United States (1867), the importation of woollen goods into Canada from Great Britain was returned at $8,012,439 as compared with $5,489,039 in 1865, or two years previously. The report of the Boston Board of Trade for January 1869 says, significantly: "It is well known that Canadian tailors openly solicit orders for clothing to be delivered here at low prices, and are countenanced in it by men of high standing in this community."

It is also to be noted that "Cape wools," which the existing tariff will not permit American manufacturers to import, are now passing into Canada in considerable quantities, both by direct importation and by transmission in bond from American ports of entry; thus proving that certain branches of wool industry which have been crushed out in the United States are establishing themselves across the frontier. And it is further the opinion of those conversant with these imports, that they will nearly all, in the form of fabric, ultimately find their way into the United States without payment of any duty.

In his report for 1866-67, the Commissioner predicted that one effect of increasing the duties on wool would be to still further reduce the little foreign commerce which the war had left to the United States, and to especially impair the Cape of Good Hope and Australian trade, in which a very considerable number of vessels were employed in carrying out the products of American industry and receiving in payment of the same, in great part, the wools of these respective countries, which the United States does not produce, and which are absolutely necessary for the maintenance and extension of certain departments of the woollen industry. To show how far this prediction has been verified, the Commissioner would ask attention to the following exhibit of the imports and exports of the principal American house engaged in the Cape of Good Hope and

New Zealand trade, for the years 1859-60 and 1867-68 respectively :—

Articles.	1859-60.		1867-68.	
	Quantities.	Value.	Quantities.	Value.
IMPORTS.				
Wool	bales, 9,226	£173,197	bales, 2,749	£34,464
Sheep-skins	4,625	44,076	577	3,841
Goat-skins	1,958	34,394	298	9,024
Hides	17,249	18,322	1,381	318
Horns	945	20	...	...
Aloes	...	532	...	...
Argols	lbs., 13,062	442	...	...
Arrowroot	3,763	90	...	...
Ostrich feathers	...	365	...	...
Total value imports..	...	£271,438	...	£47,647
EXPORTS.				
Agricultural implements and mechanics' tools..	...	$66,527	...	$75,497
Clothing and cloth	...	56,649	...	No exprts.
Building material and furniture	...	85,763	...	28,553
Wooden ware	...	4,017	...	9,974
Manufactures of wood and iron	...	21,993	...	7,135
Provisions and grains	...	182,987	...	23,476
Naval stores	...	7,778	...	1,763
Tobacco	...	103,876	...	15,715
Miscellaneous	...	3,848	...	1,434
Total	...	$533,438	...	$163,547

The manner in which the present extravagant duties on the importation of foreign wools operate to prevent the prosperity and extension of the domestic woollen manufacturing industry, and to reduce the price of domestic wool, is a matter not difficult of explanation.

The wools of the United States are mainly the merino clothing wools, which can be produced in any quantity, and at prices which defy foreign competition. Wool has been raised in Texas during the last year (1868-69) in large quantities, at an estimated cost of seven cents gold per pound ; and has commanded readily in the market twenty-five cents gold per pound.* It is further-

*As evidence in part of the above statement attention is asked to the following extract of a correspondence of the *Boston Cultivator*, under date of August 21, 1869 :—

more to be noted that German Saxon wool, which during the past year has touched the lowest price almost of the century, could not now be imported, even in the absence of all duty, and sold at so low a price as the average prices which XX Ohio wools have commanded during the past season in the New York market.

On the other hand, wools which the existing tariff excludes are mainly wools which are either not grown in the United States, or grown in very limited and insufficient quantities. The American manufacturer, therefore, being restricted in the selection of his raw material, is, of necessity, restricted in the variety of his products; and the great quantity of machinery brought into existence by the demands of the war has, in consequence, been forced, in great part, into *one line* of production; overstocking

"Permit me to say a word to the readers of the *Cultivator* regarding the views of Judge Colburn, given in the issue of July 24. I fully agree with him that a tariff on wools that will prevent the importation of them will be a great help to the Vermont wool-grower. A like policy regarding silk and oranges might enable the amateur hot-house growers there to turn their fancies to some account, and I have no doubt that, with sufficient 'protection,' cotton might be successfully produced in this little State—but on the whole, would it pay?

"What I wish to say is, that Judge C. is not well informed about the wool-growing of Texas, because he says that it is a chimera, for the most part, that the South-western States have so great an advantage over the Northern States in this business. I think the reader will agree with me that it is a very substantial chimera, when I say that one of our wool-growers, Chamberlin, of Bell county, has just marketed his clip of 1869 of 60,000 pounds of wool, at twenty-five cents gold a pound. The cost of production here is generally estimated at seven cents a pound. That $15,000, in good round double eagles, would, I fancy, look like a very good sort of a chimera to almost any Vermont farmer. Chamberlin has been engaged about a dozen years in wool-growing in Texas. He started out from the foot of Mount Ascutney, not ten miles from where Judge Colburn still pursues the solid and substantial business of wool-growing and tariff-making, and has cultivated the chimera until his herds are upwards of 10,000 head of grade and fine-wool sheep. His is not a singular case either. Numerous fortunes have been made in sheep here. The chimera, in fact, don't reside in Texas; it has moved off and gone, I think, to the valleys of the Black, the Queche, and other streams of Vermont, to stay.

"Our Texas wool-growers, though they have little to do with the government as yet, are very well satisfied to see Vermont wools protected. It is nuts to them. They would be willing to see wool go up to a dollar, and would in nowise hesitate to pocket the proceeds of their little 60,000 pound clips, at that or any other figure that may be found necessary to keep their Vermont friends in good humour.

"The idea I wished to come at, however, is this: that if Vermont wool-growers will take their flocks and bring them to our rich pastures, with their skill, good sense, and energy, they will, in a very few years, not only supply the country with wool without a tariff, but make it a leading article of export, and so an important source of wealth instead of a costly chimera to the United States."

the markets with certain descriptions of fabrics, unnaturally reducing prices, restricting diversity and extension of production, and bringing disaster upon the whole business of wool-manufacturing.

That this has been and will continue to be the inevitable effect of restrictions imposed by the existing tariff on importation of desirable wools is also clearly shown by the Commissioners of the United States to the Paris Exposition of 1867, in their report on "Wool and Manufactures of Wool." In this report (written by a gentleman who has no superior in general intelligence and specific acquaintance with the manufacture of wool in the United States, but who, at the same time, ostensibly supports the existing tariff restrictions), the author on his first page and in his first lines gives the following as the result of his study and inspection of the greatest variety of wools and manufactures of wool ever brought together in one collection. He says: "*The first impression made upon an American manufacturer by an observation of the woollen manufactures of Europe, as displayed at the Exposition, is the* IMMEASURABLE ADVANTAGE *which the woollen manufacturer of Europe has in the command of an unlimited supply of wool, and other raw materials of every variety, free of duty.* The policy of the modern governments of Europe is first and foremost to develop the manufactures of their several countries. Freedom from duties on raw material and breadstuffs is one method of protection."

And again: "*The advantages which the European enjoys over the American in the command of an unlimited supply of every variety of wool cannot be over-estimated. The range of fabrication of the American manufacturer in clothing and combing wools is limited to the produce of American flocks, under the almost prohibitory duty upon those wools. The European can select from the peculiar products of every climate and soil of the whole world. Hence the infinite variety of European manufactures, and hence the capacity of the European manufacturer to relieve himself from home competition by changing at pleasure the character of his fabrics.*"

Speaking also of the qualities of the German and Australian wools, the Commissioner to the Exposition (page 8) says: "Without the command of wool of this character for filling, it is hopeless to attempt the manufacture of the best face goods. Our foreign importation of German cloths is mainly confined to black broadcloths, cassimeres, and doeskins made from these wools. There is no difficulty in commanding the skill required for this manufacture, as is evinced by the goods exhibited by Mr. Slater, of Rhode Island. All the difficulties of manufacture can be surmounted by the importation of German workmen.

Several hundred sets of machinery could be occupied here in the manufacture of these goods demanded for home consumption. The warps, which could be made of such American fleece as is now grown here, would take up two-fifths of the wool required for the manufacture. This would be so much added to the demand for this character of wool. The relief afforded to the manufacturer, by being able to vary his fabrics, would diminish the competition among those compelled to manufacture only one style of goods, and, giving more profits to the manipulator of the wool, would secure better prices to the wool-grower."

Now, if these are words of truth and soberness, if the Commissioner to the Exposition has not stultified himself and spoken falsely, there is no need of further argument. For if the European manufacturer has by virtue of circumstances obtained an *immeasurable advantage* over his American competitor, then one of two things is certain—either the wool-manufacturing industry of the United States must continue, as it now is, a dwarfed, sickly, and depressed industry, to support which the people must be taxed; or else some steps must be taken to do away and overcome this "immeasurable advantage," and place the American manufacturer on a fair basis of equality with his foreign competitor. And how any man can claim to be a friend of American industry, and to desire the independence, diversity, and extension of American manufactures, and yet seek to continue a state of things which places the great woollen industry of the country for ever under "immeasurable disadvantage"—a state in which, of necessity, there can never be any permanent prosperity—is something which is entirely beyond the Commissioner's comprehension.

But it may be said, have not the wool-growers, who outnumber the woollen manufacturers ten to one, any claim and right to protection? The answer to this is also very simple, and is to be found: *first*, in the fact that under the existing tariff, which affords a protection entirely in accordance with the wishes of those who claim to represent the interests of the wool-grower, domestic American wool has touched and maintains a lower price than has almost ever before been experienced; and *secondly*, this other fact, which can neither be ignored nor controverted, that the periods when the American wool-grower has received the highest price in gold for his wool, have been coincident with the periods when imported wools have been subjected to the lowest duties—as from 1858 to 1860, when wools costing less than twenty cents per pound were admitted free of duty. This circumstance finds a ready explanation in the fact that during the periods referred to the American manufacturer was enabled to purchase cheaply and sell cheaply, and,

competing advantageously with the foreign producer, to furthermore sell largely; and under the increased consumption which followed, the supply of domestic wool became inadequate to the demand.

All who are familiar with the history of Great Britain, moreover, know that when that country first abolished the duties on foreign wool, the wool-growers made earnest opposition to the measure in the expectation that their interests would be destroyed. No such result followed; but on the contrary, from that day to this, the amount of wool grown, manufactured, exported, and consumed in Great Britain has annually increased, and with great profit to all who were, either directly or indirectly, interested. That the experience of France is also to the same effect is shown in a recent report by M. Baudrillart to the Emperor of the French on this subject, in which it is proved that when the duty on wool was reduced in France from thirty-three to twenty-two per cent. *ad valorem*, the price of wool *increased* and was maintained at from six to eight per cent. above the former rates. As an explanation of this M. Baudrillart says: "The home product is not sufficient for the daily increasing wants of our industry. Every check thrown in the way of the latter affects its activity. As soon as manufacturers cannot procure foreign wools they decrease their production, because they cannot find at home the required qualities; and French wool, which they would have used to mix in, lies about in the markets. The statistical tables of England lead exactly to the same conclusions —high duty, low wool at home; moderate duty or free wool, prices good at home."

In his report for 1866 the Commissioner, deprecating the proposed increase of the duties on wool, used the following language: "To the extent to which we now deprive the American wool-manufacturer of advantages in the selection and cost of his raw material, to a certain if not an equal extent do we increase those of his foreign competitors. The seventy million pounds of foreign wool annually imported into the United States, to meet a demand which the production of American wool does not supply, will not cease to be produced because the American manufacturer is forbidden to take it. Diverted from its present channel of consumption it must find its way to the markets of Europe, and through the diminution of prices which always follows an excess of supply, an advantage will be given to the foreign over the American manufacturer, largely additional to what he now possesses; and this, coupled with the use of shoddy and cotton, will lead to an importation of foreign woollens into the United States which no tariff short of absolute prohibition can suppress." The Commissioner also

suggested that, in consequence of the withdrawal of the American demand, the European manufacturer might be enabled to obtain his supply of certain foreign wools at a less price even than the duties alone would amount to in the United States.

Had the Commissioner been endowed with the gift of prophecy, he could not, in many respects, have spoken more truly. Wool, from the date of the passage of the wool-tariff bill in March 1867, has continually fallen in price in Europe, and European manufacturers have been enabled to obtain their supplies of raw material at such low rates as to allow them to overcome the obstacles of the tariff and to continue their importations. That this fall of prices has been due in a great degree to the exclusion of foreign wools from the United States is acknowledged by all who have examined the subject. The official report by the French Commissioners of the Paris Exposition to their own government assigns it as one of the principal causes; and Mr. Helmuth Schwartze, of London, one of the largest wool brokers in the world, in a recent report on the wool market, takes the same position, and in answer to objections uses the following language:

"It is argued by some that the quantity of wool imported by the United States is so inconsiderable, compared with that consumed in Europe, that it cannot affect prices there; but such people forget that it is the last million pounds that make a scarcity or overstock."

It is also a matter of importance for those who are interested in maintaining the price of American wools to note how the prices of foreign wools, such, for example, as are brought from the Cape or South Africa, have varied. Thus, in the years 1859, '60, and '61, when these wools in an unwashed state were admitted free of duty, their cost at the port of export was from 18 to 19·4 cents per pound. In 1863, a duty of from three cents per pound to five per cent. *ad valorem* having been imposed, the price fell to 16·2 cents; in 1864, the duty having been still further increased to six cents per pound, the price fell in 1865 to 14·8 cents. In the first half of 1867 the price was 15·1 cents; but in the spring of this year the duty was increased to ten cents per pound, and eleven per cent. *ad valorem*, and for the last six months of the year the price was 13·4 In 1868 the price still further declined to 10·9, thus giving the European manufacturer an opportunity to purchase at a less price than the duties imposed under the United States tariff.*

* The report of the Boston Board of Trade, presented January 1868, adds the following further evidence on this subject. It says: "By reference to the table of imports it will be seen that the importation of wools of the class Nos. 1 and 2 (*i.e.*, Buenos Ayres, Australian, and Cape of Good Hope wools) has nearly ceased.

But it may be said that, granting the truth of all of the above statements; granting that wool returns less in money to the grower than ever before; that the number of sheep in the country is rapidly diminishing; that the wool-manufacturing industry is in a most depressed and unprofitable condition; that foreign imports are increasing, and smuggling becoming systematized; yet the consumer is none the worse off, inasmuch as he is enabled to purchase his cloth at a price nearly or quite as low as previous to the war. That this may be true in respect to a few varieties of fabrics is not disputed,* but at the same

"This is looked upon by the wool-growers as a favourable result which will lead to high prices for wool of home growth. In this they may be disappointed. For already the wools have fallen abroad to an extent which nearly balances the added duty, consequently they can be imported for about the same prices as before. But these our manufacturers cannot afford to give, to put into goods to compete with those made of the same wool obtained at the cheap rates now ruling in Europe.

"Take, for instance, a yard of broadcloth weighing one pound, as given in table A of the statement of the executive committee of the National Association of Wool-manufacturers, addressed to the United States Revenue Commission, May 1866, page 36; we have shown that already, in less than a year from the passage of this tariff, the prediction of Mr. Wells has been fully verified, and that in spite of the enormously high duties a yard of broadcloth made of these competing wools can be imported cheaper than under the old tariff, and that consequently we can neither afford to import wool nor to pay as much for American wool for this manufacture as we could under the tariff of 1864, high as that was, and not nearly as much as we did under that of 1857, when all these wools came in free. We do not present these facts with any desire to effect an immediate change in the tariff, but that they may be brought to the attention of the people, particularly of the wool-growers, who, perhaps, may be induced to watch the course of trade until they shall become convinced that the world is now too intimately bound together to make any violent attempts to disturb the laws of trade successfully."

* The following table, prepared at the request of the Commissioner by the house of A. T. Sewart & Co., of New York, shows the selling price of certain leading varieties of woollen goods in 1860 and 1869, respectively :—

	1860.	1869.
Cadet cloths, government standard	$2 75	$3 25
Harris cassimeres, 14 oz.	1 37½ *a* 1 50	1 75 *a* 2 00
Cotton warp cloths, 14 oz.	1 00 *a* 1 25	1 75
All-wool cloths, 14 oz.	1 50	2 75
Middlesex sackings	1 10	1 25
Middlesex doeskins	1 05	1 15
Middlesex shawls	7 00	7 00
Middlesex beavers	3 75	4 25
Middlesex opera flannels	47½	50
Broadbrook cassimeres	1 62½ *a* 1 75	1 75
Broadbrook beavers	2 75	3 00
Spring cassimeres, 8 to 9 oz.	1 12½ *a* 1 25	1 25 *a* 1 37½
Glenham repellants	1 10 *a* 1 15	1 20
Glenham sackings	1 05	1 15
Swift River fancies, 11 to 12 oz.	90	1 00 *a* 1 10
Royalston cassimeres	Aver. 1 07½	1 25
Fitchburg cassimeres	Aver. 1 07½	1 25

time, those who use this argument in support of the existing duties take very good care not to mention the fact that the prices of woollen goods, under the influence of wool unnaturally cheapened, and improvements in manufacturing, have fallen comparatively to an equal or greater extent in Europe,* while the wages paid to the operatives of the European woollen mills have tended during the same time to an advance. The price of woollen fabrics generally is reported to the Commissioner, by those qualified to judge, to be at least twenty per cent. less at the present time in Europe than it was in 1860; but of this decline, even granting that all American woollens are as low now as they were in 1860 (which is not the case), the American consumer has evidently received no benefit. In short, the Commissioner feels convinced that if the great mass of the American people, especially the working men and the working women, toiling to elevate themselves, with the multitude of clerks, accountants, professional men, pensioners, and others, who deny themselves and economize their slender incomes to make the year's receipts balance the year's expenditures, could only once fully realize the extent of the addition to their resources could they be permitted to purchase clothing as cheap in the United States as in Great Britain, they would never stop to inquire according to what particular theory of economy tariffs were enacted, but would at once so direct public opinion and suffrage as to compel the abandonment of the existing policy.

In short, what is now needed to restore prosperity to the woollen industry, is a removal of all duties on the importation of

The report accompanying the above table adds: "It is difficult to obtain reliable data in respect to the comparative cost of domestic woollens in 1860 and 1869, inasmuch as there are few goods made now that are identical in quality with those made in 1860. Of all of the above, probably the first item, viz., cadet mixed cloths, used by the institution at West Point, is the most reliable to show the difference of value at the different dates, on account of not being so much subjected to caprices of fashion or to competition of other makers."

* The following table, derived from another authority from that above cited, shows the extent of the recent reductions which have taken place in the importing prices of standard French woollens:—

	1859.	1866.	1869.
	Francs.	*Francs.*	*Francs.*
French merinos, all worsted	2·62	2·40	1·90
	3·03	3·00	2·00
	3·22	3·15	2·40
Dyed mousseline de laines, all worsted	1·13	·98	·79
	1·22	1·06	·85
French dyed poplins, all worsted	...	1·75	1·19
	...	2·15	1·69

foreign wools and dyestuffs, and a general reduction of the duties on manufactured woollen fabrics of every description to twenty-five per cent. *ad valorem*. On this basis the most experienced woollen manufacturers of the country assure the Commissioner that they can at once extend, diversify, and secure prosperity to their business. On this basis the cost of domestic woollen fabrics will be so far reduced as to give great relief to the consumer, and lead to an immediate and largely increased consumption. And on this basis only can the wool-grower expect any immediate increased demand for his staple product of merino fleece; while in respect to the combing and the finer wools it is sufficient to say, that the supply of these wools has not for the last few years increased in proportion to their consumption, and that the extension of their use in American industry, which would inevitably follow a remission of the duties upon their import, would so far increase their demand as to give to the domestic producer all the encouragement that would prove necessary.

ON THE REDUCTION OF PRICES EFFECTED THROUGH COMPETITION.

The Commissioner deems it appropriate in this connection to say a word in reference to the idea adopted and advocated by a school of American economists, that it is for the advantage of the country to endeavour to effect a reduction of prices by the creation, through legislation or otherwise, of an excessive or artificial stimulus to production.

That the creation of an artificial stimulus to domestic production—such as is almost always temporarily afforded by an increase of the tariff, or such as was afforded during the war by the necessity for extraordinary supplies—does have the effect, in the first instance, to increase and quicken production, and subsequently to reduce prices through the competition engendered, cannot be doubted. But the Commissioner, after a careful examination of the subject, is fully satisfied that it can be shown, in almost every instance where competition has thus reduced prices, that the result has been rather to the detriment than to the advantage of the country, the main exceptions to the rule being in the case of certain small articles—nickel for example—which, owing to their comparative insignificance and limited production and consumption, are capable of being entirely controlled and monopolized by two or three individuals or associations. That the result thus indicated must follow as a matter of necessity, will appear obvious upon a little reflection. Thus the first effect of cutting off or checking the competitive supply of a foreign product, or otherwise creating an extraordinary domestic demand, is to increase prices; which in turn affords large profits to those in the possession of "stocks on

hand," or of the machinery of production ready for immediate and continuous service. The fact of the possibility of the realization of large profits immediately tempts others to engage in the same branch of production—in very many cases with insufficient capital (raised often through the medium of a stock company), and without that practical knowledge of the details of the undertaking necessary to insure success. The supply of skilled labour being at all times limited in the United States, the producers last in the field bid against the older for the control of specialties of labour; wages advance abnormally, and abnormally increase the cost of the product. As production goes on, supply gradually becomes equal, and finally in excess of demand. The producers working on insufficient capital, or with insufficient skill, are soon obliged, in order to meet impending obligations or to dispose of imperfect stock, to force sales through a reduction of prices; and the older, in order to retain their markets and their customers, are compelled to follow their example. This in turn is followed by new concessions alternately by both parties, which is accompanied by the usual resort of turning out articles or products of inferior quality, but with an external good appearance; slate being substituted in the place of coal; cinder in the place of iron; shoddy in the place of wool; starch and sizing in the place of cotton; pasteboard in the manufacture of boots and shoes in the place of leather; and clay and plaster in the manufacture of paper in the place of fibre. And so the work of production goes on, until gradually the whole industry becomes depressed and demoralized, and the weaker producers succumb, with a greater or less destruction of capital and waste of product.

Affairs having now reached their minimum of depression, recovery slowly commences. The increase of the country causes consumption to gradually gain upon production; and finally the community suddenly becomes aware of the fact that supply has all at once become unequal to demand. Then those of the producers who have been able to maintain their existence experience another season of remarkable prosperity; others again rush into the business, and the old experience is again and again repeated. Such has been the history of the industry of the country for the last thirty years under the influence of the frequent modifications of the tariff, and latterly under the influence of the war; and such is most noticeably its present experience. To use a familiar expression, it has always been either "high water or low water," no middle course, and no stability. What the people gain, as consumers, at one time from low prices, they more than compensate for at another by the recurrence of extreme rates, and, as producers, by periodical suspension of industry,

reduction of wages, and depression of business. Meantime the loss to the country from the destruction of capital and the waste and misapplication of labour is something which no man can estimate.

The specific illustrations of this experience are too striking to admit of being passed over in silence. That afforded by the present condition of the wool industry has already been adverted to.

A further and still more striking illustration is afforded in the recent history of the manufacture of paper. Thus, in 1863-64-65, it was found that the supply of paper of domestic manufacture was insufficient for the consumption of the country, and a tariff of from twenty to thirty-five per cent. restricted importations. The price of paper rose accordingly with great rapidity, nearly or quite to the extent of one hundred per cent.; and the profits of the paper manufacturers who were then in the possession of the machinery of production were so great that the Commissioner, in his report for 1866-67, referred to them as most anomalous and extraordinary. The usual effect followed. A host of individuals rushed into the business, and during the years 1864-65-66, it is estimated that more paper-mills were constructed and put in operation than in the twelve years previous. As a matter of course, the markets became rapidly overstocked, prices fell with great rapidity, many abandoned the business, and sold their mills for much less than the cost of construction; while in the spring of 1869, in the same section of the country where the incomes of paper manufacturers in 1865 were reported as so extraordinary, the representatives of the trade of New England met together in convention to consider the advisability of "decreasing the production of paper, in consideration of the depressed condition of the business." In fact, at the present time, the business of paper manufacturing, next to shipbuilding and the woollen manufacture, is probably one of the most depressed of the various industries of the country; and while wages and the price of the raw materials used have receded but little, the price of the finished product is nearly as low in currency as it was in gold anterior to the war. In October 1869, a storm of great violence swept over the northern portion of the country, and in the flood which followed the mills engaged in the manufacture of paper especially sustained injury by the destruction of their dams and otherwise. A leading New England journal, in one of the paper manufacturing districts, in commenting on the effects of the storm, uses this language: "There seems to have been an unusual fatality among paper-mills; but this disaster will work to the advantage of those who escaped the flood; and we doubt not that those that

did stand will do a better business in consequence of the lessened supply." Or, in other words, the condition of this particular branch of industry had become so prostrated, that the occurrence of a great public calamity, with a vast attendant destruction of property, had come to be regarded by some in the light of a special blessing.

Now, the lesson of this experience, which might be further illustrated to almost any extent, would seem most certainly to be that whatever advantage is temporarily gained by stimulating industries into an unnatural growth and development, is subsequently more than compensated for by a resulting waste and misapplication of both capital and labour. And of these two elements of wealth and civilization, the United States, of all industrial and commercial nations, has the least available surplus. What rather should be sought for is that mean of encouragement—call it protection if you will, or otherwise—which would give to every branch of legitimate domestic industry an equal opportunity and a condition of stability as respects supply and demand; which would insure permanence of price, incentives to the exercise of skill and economy, and such a moderate degree of profit as should effectually discourage inconsiderate and excessive competition. Did space suffice, the Commissioner could here add a chapter of the most interesting facts and incidents, showing the enormous waste which as a general rule characterizes American protected manufactures in contradistinction to European manufactures; and which is due, in his opinion, in great part to the fact that the American manufacturers have so long been accustomed to look to legislation for support, that the idea of self-dependence, through the exercise of more economic and skilful working, scarcely receives consideration.

With these specific illustrations and recommendations of the influence of certain existing duties, the Commissioner would further submit the following recommendations of modifications of the tariff.

RECOMMENDATIONS IN THE INTEREST OF DOMESTIC INDUSTRY IN GENERAL.

On pig iron a duty of $3 *per ton.* The present duty is $9 per ton, and the amount of revenue derived from the same during the fiscal year 1867-68, was $1,011,109 96.

On scrap iron, a duty of $3 *per ton.* Present duty, $8 per ton; amount of revenue received in 1867-68, $640,294 60.

On salt in bulk, 9 *cents per hundred pounds; on salt in bags,* 12 *cents per hundred pounds.* Present duty, 18 and 24 cents, respectively; amount of revenue received, 1867-68, on salt in bulk, $395,955 17; in bags, $740,270 59; total, $1,136,225 76.

The extent of revenue reduction, arising from the adoption of the above modifications, will, in the opinion of the Commissioner, be as follows :—

In respect to pig iron a reduction of the duty would, undoubtedly, be followed by such a reduction in the price of the domestic product as, added to freights and commissions on the foreign article, would leave the relations between the domestic and foreign producers the same substantially as at present. No material increase of imports being probable, the loss to the revenue would, therefore, be approximately $750,000. A reduction of $6 per ton in the cost of a domestic consumption of 1,800,000 tons (domestic and foreign) would, however, relieve the community of taxation, in the first instance, to the extent of $10,800,000 per annum. The reduction of the duty on scrap iron would probably be followed by an increase of imports, and so compensate, to some extent, for a loss of revenue. This loss the Commissioner estimates at $400,000. The indirect gain to the community by the consequent tendency to cheapen bar iron and promote industry would, however, be considerable.

A reduction in the duty on salt would probably, as in the case of pig iron, be followed by a corresponding reduction in the price of the domestic article ; and this in turn would prevent any great increase in importations. The loss from this reduction would, in the opinion of the Commissioner, approximate $600,000; a reduction of the cost of the domestic consumption of salt (39,000,000 bushels per annum) to the extent of 10 cents per bushel would relieve the community of a tax, in the first instance, of $3,900,000 per annum.

Lumber.—On all timber, round, square, or sided ; on all sawed and unplaned planks, boards, and deal; on laths, clapboards, and shingles, *an entire removal of all duties.* Present duty, twenty per cent. Revenue received, 1867-68, $1,262,020 47. In his report for 1868-69 the Commissioner estimated that, apart from the beneficial influence of the removal of these duties in respect to the retardation of the wasteful destruction of American forests, the immediate and direct gain to the people, through a reduction of the cost of lumber, would approximate $16,000,000 per annum.

On *coal*, of every variety, an entire removal of all duties. Present duties, on anthracite, 40 cents per ton ; on bituminous, $1 25 per ton. Revenue received in 1867-68, on anthracite, $30 40 ; on bituminous, $492,526 56.

On *firewood*, an entire removal of all duty. Present duty, 20 per cent. Revenue received in 1867-68, $42,605 12. The Commissioner is assured that the removal of the duty on this article of import would greatly favour the manufacture of salt in

Michigan, and prove a great boon to consumers upon all the frontier States, where the consumption is rapidly increasing, while the local supply is rapidly diminishing.

On *copper ore*, an entire removal of all duty. Present duty, three cents per pound on each pound of pure copper contained therein. Import, at present, substantially prohibited.

In 1869, Congress, with a view of promoting the interests of the copper industry, largely increased the duties on copper, copper ores, and all manufactures of copper. The immediate effect of this law was to prohibit the importation of foreign ores of copper, to close up and substantially destroy two great centres of smelting industry at Baltimore and Boston, and to inflict serious injury upon the manufacturers of paperhangings, by increasing the cost of Dutch metal. The enactment of the law has been also followed by a reduction in the price of ingot copper. Thus, the market price a short time previous to the passage of the bill was 26 @ 27 cents; immediately after the passage of the bill the price fell to 24, and subsequently to 22 @ 23, at which point it remains.*

In the effort to promote the interests of domestic copper production by increasing the duties on competitive imports, two points seem to have been overlooked: first, that the United States is a copper-exporting rather than a copper-importing country, as is shown by the fact that in the ten years from 1859 to 1869, inclusive, the value of the exports exceeded the value of the imports by the sum of $487,990. During the fiscal year 1868 the exports and re-exports of copper in pigs, bars, and ingots were returned at 1,365,144 pounds, while the imports amounted to only the trifling quantity of 14,248 pounds. The attempt to regulate the domestic price of an article, of which the country produces a surplus for export, by means of an import duty, is, therefore, on its face an absurdity, and has utterly failed, as might have been expected. Second, an examination of the general statistics of copper production and consumption since 1858 shows a continued tendency to the disuse of copper in the arts, and a substitution of iron or other cheaper metals in its place. This is strikingly shown by the fact that, while the actual increase in the shape of imported and produced copper in Great Britain from 1858 to 1867 was only about 11 per cent.,

* It is reasonable, therefore, to suppose, as the copper-mining industry of the United States is in a condition of as great depression now as at any former period, and as every argument and fact urged in February 1869 for an increase of duties on copper is as true and as cogent now as then, that the advocates of relief by legislation, in order to maintain their consistency, will again petition Congress to still further increase the duties, which, judged from the point of efficiency, are so low as to demand immediate consideration.

the increase in the production and consumption of iron in the same country during the same period were about 42 per cent. It would seem manifest, therefore, from the mere presentation of this statement, that any attempt to resist, by arbitrary legislation, this cheapening of copper which is taking place through economical influences, or, what is the same thing, to resist the substitution of a cheaper for a dearer metal, must, from the very nature of things, not only be equivalent to attempting an impossibility, but that the whole influence of such legislation, by interfering with the course of trade and of prices, must be to promote the very tendency which those interested in copper production especially deprecate; and such, the Commissioner believes, is the influence of the duties levied under the existing tariff on copper. The Commissioner would further recommend, in this connection, that the duty on copper in plates or sheets, known as braziers' copper, and on copper in the form of rods, bolts, nails, spikes, and copper bottoms, be reduced from 45 per cent. *ad valorem* to 25 per cent. *ad valorem* on the ground that the existing duty is prohibitive and entirely destructive of revenue. During the fiscal year 1867-68, when the duty on these articles was 35 per cent. *ad valorem*, the whole amount of revenue received was 35 cents. Since then the duty has been increased to 45 per cent., thus rendering it probable that not even the receipts of the previous year will be maintained. Again, the Commissioner would ask attention to this statement: the price of ingot copper in Great Britain is at present $16\frac{1}{4}$ cents gold per pound; the price of rolled copper—braziers' sheets, such as is used for the manufacture of copper boilers—in Great Britain, is $17\frac{1}{4}$ cents per pound, or only one cent higher than ingot copper. Now, the price of ingot copper in New York is $22\frac{1}{2}$ @ 23 cents per pound, and the price for rolled or braziers' sheets is 33 cents per pound, or 10 @ $10\frac{1}{2}$ cents difference.

On *jute and sun-hemp*, an entire removal of all duty. Present duty, $15 per ton. Revenue received, 1867-68, $57,542 75.

The object of this recommendation is the development of an industry which, although possessing gigantic proportions in Europe, can hardly be said to have as yet an existence in the United States. Indeed it is a fact in the history of our industrial experience especially worthy of notice, that while as a nation professing extreme devotion to the principle of extending domestic industry we have not only neglected, but by the maintenance of a high duty persistently discouraged, the introduction and development of a branch of textile industry which in Great Britain ranks next in importance to cotton and wool; the import of jute fibre into Great Britain for the year 1868 having been upwards of *two hundred and eighteen millions* of

pounds, while the United States, during the same period, consumed only about *eight millions* of pounds. In view, therefore, of the enormous and rapidly increasing use of this new raw material, whose use in Europe as a textile fibre dates back but little beyond the year 1852, the Commissioner would fail of his duty did he not earnestly ask the attention of Congress to the importance of legislating in such a manner as will help to give henceforth to the United States a participation in the profits of this great branch of industry.

The articles into which jute is manufactured are mainly coarse fabrics, such as burlaps, padding, coarse canvas, carpet yarns and twines, all of which the United States annually imports in large quantities, but which might readily be manufactured at home. The free admission of jute has heretofore been opposed, mainly from the idea that it would prove a rival to domestic flax and hemp; but in the opinion of the Commissioner, it is really not analogous to, and would not compete with, any of the products of the United States. Its colour is somewhat lighter than that of flax, while its fibre, varying from fifteen to twenty feet in length, is coarser, weaker, and far less flexible than the fibres of the most inferior varieties of domestic flax or hemp.

RECOMMENDATIONS IN THE INTEREST OF THE BOOT AND SHOE INDUSTRY AND OF THE MANUFACTURE OF LEATHER.

On *hides* and *undressed skins* of every description, *an entire removal of all duties.*—Present duty, ten per cent. Revenue received, 1867-68, $977,325 12.

Leather.—On leather of all descriptions, except morocco, japanned, and patent leather, *an entire removal of all duties.* Present duties, twenty-five and thirty-five per cent. Revenue received, 1867-68, $1,363,481 51.

On hemlock, oak, and all other barks used for the tanning of leather, *an entire removal of all duties.* Present duty, ten per cent.

On sumac, *an entire removal of duty.* Present duty, ten per cent. Revenue received, 1867-68, $53,608 56.

Lastings and serge.—On fabrics of wool or hair, known as lasting and serge, when the same are woven or made into patterns of size, shape, and form, and in such manner as to be fit for shoes and bootees exclusively, and not combined with India-rubber, *an entire removal of all duties.* Present duty, fifty cents per pound, and thirty-five per cent. *ad valorem.* Revenue received, 1867-68 (estimated), $1,157,000.

The extent of revenue reduction, by the removal of the

above specified duties, would, in the opinion of the Commissioner, approximate $3,500,000. The burden of taxation, in the first instance, from which the people would be relieved, however, by the removal of these duties, taking leather and all the manufactures of leather into consideration, will, as already demonstrated, approximate the sum of $18,000,000.

RECOMMENDATION IN THE INTEREST OF THE MANUFACTURE OF PAPERHANGINGS.

On *bronze* or *Dutch metal* or *Florence leaf*, in leaf or powder, *an entire removal of the duty.* Present duty, forty-five per cent. *ad valorem.* Revenue received, 1868-69 (estimated), $20,000. The removal of this duty, as already shown, would reduce the cost of the manufacture of the better class of paperhangings to the extent of from five cents to twenty-five cents per roll.

RECOMMENDATIONS IN THE INTEREST OF THE MANUFACTURES OF SULPHURIC ACID, SOAP, GLASS, PAPER, COAL OIL, CHEMICALS, AND OF THE BLEACHING AND DYEING INDUSTRIES.

On *crude sulphur*, *an entire removal of the duty.* Present duty, $6 per ton, or twenty-five per cent. Revenue received, 1867-68, $108,903 30.

The Commissioner would recommend, in this connection, that the duties on flour-of-sulphur, at present $20 per ton, and fifteen per cent. *ad valorem*, be reduced to $10 per ton ; and on refined brimstone, in rolls, that the present duty, $10 per ton, be reduced to $5 per ton. The reason for the recommendation of these reductions is, that the present duties are excessive and destructive of revenue ; the revenue received from these two sources during the year 1867-68 being only $1,119 20.

On *soda-ash*, *an entire removal of the duty.* Present duty, one half cent per pound. Revenue received, 1867-68, $545,228 83.

On *chloride of lime*, or bleaching powders, *an entire removal of the duty.* Present duty, thirty cents per hundred pounds. Revenue received, 1867-68, $73,486 78.

On *waste paper*, or waste material of any kind fit only for the manufacture of paper, *an entire removal of the duty.* Present duty, ten per cent.

On *esparto* or *Spanish grass*, a crude material for the manufacture of paper—*an entire removal of all duty.* Present duty, twenty per cent.

RECOMMENDATIONS IN THE INTEREST OF THE BREWERS, AND OF THE INTERNAL REVENUE COLLECTED FROM THE TAXATION OF MALT LIQUORS.

On *barley, an entire removal of the duty.* Present duty, fifteen cents per bushel. Revenue received, 1867-68, $566,547 39.

The reasons in support of this recommendation are clearly stated in the following communication, addressed to the Commissioner by the President of the Brewers' Association of the United States: —

"Previous to the war the average price of barley in the city of New York was about eighty cents per bushel, and the price of beers and ales about $6 per barrel, while the price per glass of ale or beer, containing fully one-third more than the glasses now in use, was six cents. Since the duty was imposed the price of barley in New York has been as high as $1 70 per bushel; that of malt liquors, say, $10 per barrel, and by the glass, say, eight cents. The cost of manufacturing by the brewers has been fully one hundred per cent. more, exclusive of the $1 tax per barrel. The price of barley in the United States has been from twenty-five to fifty cents higher relatively than those of other cereals; a fact to be attributed to the small crops of the former suitable for malting purposes; and as only northern climates are adapted to the production of barley the main dependence of the brewers has been on the production of the Canadas for their lager and storing beers.

"The high cost of barley, and the expenses attendant upon the brewing of malt liquors, has prevented the brewers from selling their beers at such prices as would render them the popular beverage, and merely give to them an equal increase of consumption as compared to other articles of staple manufacture which are not interfered with by foreign importations. To render beer popular it must be sold by the retailers at a low price, as is the case in Great Britain and Germany.

"Long experience has proved that the barley crops of those States from whence the brewers derive their supplies, viz., New York, Western Pennsylvania, Ohio, Illinois, Wisconsin, Iowa, and Minnesota are very unreliable as regards the quality of the grain; but not so of the Canadas, whose soil and climate are admirably adapted for the production of the best American barley."

Under these circumstances, the representatives of the brewing interest of the United States claim that it is both impolitic and unjust for the national government to assess an annual sum of over six millions of dollars on the products of their industry, and at the same time, by imposing a duty on the importation of barley, indirectly increase the cost of their manufacture and restrict the extension of their business. They also claim that the removal of the duty in question would increase the internal revenue derived from malt liquors to an extent far more than sufficient to compensate for any loss through the customs. The Commissioner would add that the capital at present invested in the business of brewing in the United States is estimated by the Brewers' Association at $56,856,000, giving direct employment to 9,814 workmen.

RECOMMENDATIONS IN THE INTEREST OF THE SILK, FUR, AND FELT HAT INDUSTRY.

On hatter's and cut furs, an entire removal of all duties. Present duty, twenty per cent. Revenue received, 1867-68, $282,976 40.

On silk-plush, silk linings, and silk hat-bands, cut in such a manner as to be fit for the manufacture of hats exclusively, *an entire removal of all duties.* Present duties, sixty per cent. Revenue received, 1867-68, $600,000 (estimated). The representatives of this most important industry, employing in the fur and felt-hat department alone an estimated capital of $20,000,000, state the present condition of their business as one of extreme depression, the domestic consumption of felt and fur hats having been reduced during the last three years at least twenty-five per cent. The following are extracts from the answers returned to official inquiries made by the Commissioner respecting the latter industry ;—

"Question. Was there a demand in 1860-61 for your product for exportation?—Answer. Yes. There was a large demand from Canada, Cuba, the West Indies, Mexico, and South America. In the years named, about one-seventh of the sales would be shipped to points outside of the United States ; or, in a house selling 700,000 hats, 100,000 could be reasonably estimated as on foreign account ; to some manufacturers this would not apply, but to others the proportion would be greater.

"Question. Does the foreign demand now continue?—Answer. At present there is no demand for our goods, nor has there been for several years of any moment. Of course there are still a few goods in our line sold to Canada, but no other market takes any, or at least the amount is so inconsiderable as not to enter into the calculation. The reason is that our tariff on such materials as we consume (they are all imported) enables France, England, and Germany to produce the same classes of goods much cheaper, and we cannot compete with them as formerly in supplying these markets. Had the duties remained the same as in 1860 we could have competed with any country for the foreign trade to the countries above mentioned, and, as we have heretofore, successfully. The present duty of thirty-five per cent. on hats does not protect, as we pay in duties on materials and in taxes a little above that percentage. The importation of foreign hats increases, therefore, rather than diminishes. If we had a low tariff on raw materials, we could export a great many hats, not simply upon fur but on silk bands and bindings and skivers. Silk and satin and bands and binding could be cut and put into such shape as to be only available for the purpose of trimming hats."

MISCELLANEOUS.

The Commissioner in the interest of general domestic industry would further recommend the entire remission of the duties on the following specific articles or classes of articles :—

Articles.	Present duty.	Revenue received 1867-8.
Ivory unmanufactured and imported direct from countries of production	10 per cent.	42,117 40
Ivory nuts, vegetable	10 per cent.	1,217 20
Animals, living, of all kinds	20 per cent.	466,404 01
Bristles	15 per cent.	79,199 40
Chalk, white	$10 per ton.	105,714 13
Annato, seed or extract	20 per cent.	188 40
Argols, or crude or partially refined tartar	6 cts. per lb.	126,739 11
Barks, all medicinal	20 per cent.	82,246 80
Antimony, crude or regulus of	10 per cent.	8,382 20
Camphor, crude	30 cts. per lb.	59,893 20
Cutch or catechu	10 per cent.	10,6[illegible]3 60
Corkwood, unmanufactured	30 per cent.	48,260 10
Feathers and downs for beds	30 per cent.	4,373 61
Glue stock	10 per cent.	1,266 50
Gums of all kinds, unmanufactured and unrefined, used in the manufacture of varnish	10 cts. to 50 cts. per lb	439,039 30
Gutta-percha, crude	10 per cent.	2,121 80
India-rubber, crude	10 per cent.	196,911 40
Kryolite	20 per cent.	13,726 40
Bamboo	10 per cent.	579 90
Willow or ozier, unmanufactured	30 per cent.	8,661 60
Cudbear	10 per cent.	4,324 60
Bones, crude and unmanufactured	10 per cent.	...
Horns	10 per cent,	6,234 30
Lithographic stones	20 per cent.	2,651 60
Total	.....	1,710,876 56

Gunny cloth and bags.—The present duty on gunny cloth and gunny bags is three cents per pound (gold), or within a fraction of one hundred per cent. of their market value in bond—a rate so excessive that the importation of these articles from Calcutta has almost entirely ceased. Thus the import of gunny cloth, which was returned at 75,000 bales in 1860, was reduced to 14,000 bales in 1868, and, for the year 1869, has not exceeded 5,000 bales. The latest advices from India furthermore state, that "not a bale of gunny cloth is now loading, or to load this season, for the States." The result of the present duty is therefore manifestly detrimental to the revenue; and also to the shipping interest, inasmuch as the commodities in question are indispensable for light or measurement freight in the India trade, and without them no vessel can be loaded with a full cargo for the United States. A reduction of the price of gunny cloth would also result to the advantage of the agriculturists of the country, affording a cheaper material for the enclosure and transportation of cotton, corn, and other similar products. The Commissioner would, therefore, recommend a reduction of the duty on gunny bags and gunny cloth to one cent per pound as the maximum.

RECAPITULATION.

The abatement or entire removal of the duties as above recommended would, as nearly as can be estimated, reduce the

revenue derived from customs to the extent of about twelve millions. On the other hand, the direct relief experienced by the community through the abatement of prices which would follow the removal or abatement of the taxes in question would, in the opinion of the Commissioner, be not less than sixty million dollars; while the indirect gain, and the value of the stimulus afforded thereby to domestic industry, must be represented by a much larger figure.

RECOMMENDATIONS FOR MODIFICATIONS OF THE TARIFF, SUBMITTED MAINLY WITH A VIEW OF INCREASING THE REVENUE, OR OF FACILITATING OR SIMPLIFYING THE LAWS FOR THE COLLECTION OF REVENUE.

The Commissioner would further recommend the following modifications of the tariff, with a view of increasing thereby the national revenue, or of facilitating or simplifying the laws for the collection of revenue:—

Wines.—On all wines, irrespective of quality (champagne and other sparkling wines excepted), a specific duty of fifty cents per gallon is recommended.

The experience afforded since 1867 has in every respect confirmed the assertion made by the Commissioner in his previous report (January 1867), "that the *ad valorem* system as applied to wines has proved detrimental to all legitimate business, destructive of revenue, and an endless source of litigation between the government and the importers." If the rate named may seem too low a duty to be imposed on an article so essentially a luxury as wine, the Commissioner would ask attention to the following facts.

According to the official reports, there were imported for the fiscal year 1867–68, 6,102,479 gallons of wine, as compared with 9,476,814 imported in 1865-66. Of this quantity, 5,383,347 gallons were returned as valued at not over fifty cents per gallon, and paying a duty of twenty cents per gallon and twenty-five per cent. *ad valorem*, or at the rate of twenty-seven cents per gallon; 515,580 gallons valued at over fifty cents and not over one dollar per gallon, and paying a duty of fifty cents per gallon and twenty-five per cent. *ad valorem*, or at the rate of sixty-eight cents per gallon; and 203,552 gallons valued at over one dollar per gallon and paying a duty of one dollar per gallon and twenty-five per cent. *ad valorem*, or at the rate of one dollar and fifty-eight cents per gallon; making a total revenue from the duties on wines of $2,155,524, and the average rate thirty-five cents per gallon. It is, therefore, evident that the rates proposed, while they are entirely satisfactory to the importing interest, are really a large advance upon the

existing tariff; and, supposing the importation to remain the same as for 1867-68, will yield an additional revenue of about $900,000. The truth of the matter, however, is, that by reason of the almost utter impossibility of accurately determining the specific value of a wine, the imports of wines are almost always undervalued; and the constant differences which have arisen between the officers of the customs and the importers have contributed much to the interruption of the regular trade in and importation of the products in question. With a removal of these difficulties by the adoption of a specific duty, there is no reason to doubt but that the importation will resume its former average, and that the gain to the treasury will approximate two and a half millions per annum.

If, however, it should be objected that under a uniform specific duty the high-priced Johannisberger or Madeira will pay no more than the common low-priced *vin ordinaire*, the fact heretofore pointed out may again be cited, viz., that out of over six million gallons imported in 1867-68 *only* 203,452 *gallons, or less than* 4 *per cent. of the whole importation, were entered as costing over one dollar per gallon.* The Commissioner would also call attention to the fact that both in the United States and Great Britain a uniform duty on tea has been found both by the trade and the government to be entirely unexceptionable; and yet the diversity in the prices of tea in China is much greater than the range in prices of wines at the points of exportation.

FORM OF LAW.—The following form of law, covering the importation of all wines, is recommended. *On wines of all kinds in bulk, irrespective of quality, cost of cask included, containing not more than twenty-two per centum of alcohol, Tralle's hydrometer, fifty cents per gallon:*

*Provided, that upon all liquors containing more than twenty-two per cent. of alcohol, which shall be entered under the name of wines, there shall be levied and paid the same duty as that which is imposed upon brandy.**

* As illustrative of the present condition of the native wine industry of the United States, the Commissioner would ask attention to the following letter addressed to him on this subject by a gentleman who is everywhere acknowledged as an authority in regard to the question under discussion:—

"RAHWAY, N.J., *June* 24, 1869.

"SIR,—In a recent conversation touching the effects of the high duties levied on the importation of foreign wines on the wine produced in this country, you requested me to give you the substance of my experience in this matter, which I now do with pleasure.

"The history of our native wine trade is familiar to you; I need not, therefore, refer to the various endeavours of the pioneers in grape culture until a perfect wine was produced from the pure juice of the Catawba grape by Nicholas Longworth about twenty-four or five years ago. This wine, however, in its pure state was too acidulous to please the popular taste, but

Mineral or medicinal waters.—The present duty on mineral waters is three cents per bottle, and twenty-five per cent. *ad valorem.* The Commissioner would recommend, if it be considered desirable to retain the duty on these imports, that they be made specific with the following.*

FORM OF LAW.—On mineral or medicinal waters, or waters from springs impregnated with minerals, seventy-five cents for each dozen bottles or jugs containing not more than one pint each, and one dollar and twenty-five cents for each dozen bottles or jugs containing more than one pint and not over one quart.

Steel.—At present the duties levied on steel are of two kinds, *ad valorem* and specific. The attempt to impose *ad valorem* duties on an article of such varying value is, however, manifestly an absurdity, and a continued temptation to fraud through undervaluation or imperfect appraisement; inasmuch as no man can tell by the eye, or by any test readily available in the custom-

it was much relished by the German settlers of Ohio, who were accustomed to such wines in their own country. It, however, was a capital wine to mix with sugar and ice for cobblers, as a substitute for sherry, and it also made an excellent sparkling wine. Some of the latter I tasted in Chillicothe, Ohio, in 1850. It struck me then that it might be popularized in New York. I opened a correspondence with Mr. Longworth, and in 1852 had the pleasure of receiving a small invoice of it, the first that had ever been in the city—indeed, as Mr. Longworth said, 'the first that had ever crossed the mountains' (the Alleghanies). The wine speedily became popular, and continued to be until the death of Mr. Longworth, whose agent I continued to be until that time—a period of many years. The still wines did not succeed so well; except for Catawba cobblers, the sale was very limited. The truth was, our people, accustomed to the heavily brandied wines of Europe, the sherries, Madeiras, and ports, with an alcoholic percentage of 19 to 24 per cent., did not much fancy a pure wine of only 8 to 9 per cent. of fixed alcohol: it was not strong enough. But the sparkling wines with a slight addition of brandy or sugar, which by fermentation resolves itself into brandy, met with better success.

"At this time the sparkling Catawba could be laid down in New York at a cost a little exceeding that of the most popular French champagne, 'the Heidsick,' but it was sold by the case at the same price, say $14. Yet it kept its own, and sales grew larger, notwithstanding this formidable competitor. At that time the sale of champagne was immense, but its low price (at wholesale) did not tempt imitators to manufacture a spurious Heidsick and sell it for the real article. The market was full of good brands of champagne, but the native wine was steadily growing in favour without protection, and in spite of so many rivals. Another formidable antagonist to the sale of native wines *was the trade!* There was more money to be made by selling imported wines, and therefore the whole of the wine trade in New York turned its back upon sparkling Catawba. Nevertheless it worked its way without recommendation into favour with the public. The heavy duties imposed upon foreign wines during the war diminished at once the greater part of the supply from that

* A large number of changes in the rates of duty upon articles of minor importance proposed by the Commissioner are here omitted.

house, whether cast steel is worth forty, fifty, or sixty pounds per ton, or can readily distinguish, by inspection, cast steel in bars from German steel in the same form. The result has been, that during the past year the government and the importers of steel have been brought into continual disagreement; the agents and officers of the one alleging that the steel regularly imported was systematically and scandalously undervalued with a view of defrauding the revenue; while the English importers and their commission agents in the United States, including men of the highest reputation for integrity in both countries, have with equal positiveness denied this accusation. Meantime the domestic manufacturers of steel, not satisfied with the existing duties, have earnestly besought the government to decide in opposition to the importers, and so practically raise the tariff; while on the other hand the American manufacturers who use steel as a raw material have felt alarmed at what seemed to

source. Native wines had the full benefit of protection, and besides were free from internal tax. And we must not overlook another great advantage in their favour; the improvements in the manufacture, the results of experience and enterprise, had produced sparkling wines far superior in quality to those of twenty or even ten years ago. For delicacy of flavour and fragrance of bouquet, the sparkling Catawbas of the Pleasant Valley Wine Company; of the Urbana Wine Company; of Chas. Bottlers of Cincinnati; of Week's Sparkling and Longworth's Golden Wedding (all of which took diplomas of 'honourable mention' at the Paris Exposition, where they were in competition with the choicest champagnes of France), are so greatly in advance of Longworth's old wines of twenty years ago, that a comparison between them would be like (to use a homely simile) as 'cheese is to chalk' in the list of alimentary substances.

"But great as have been the improvements in the manufacture of sparkling wines, greater have been those in the production of still wines, from which our sparkling wines are made.

"The southern shore of Lake Erie now seems to be our proper vine-land, and the still Catawbas from this favoured locality will compare with credit with the very best growth of the Rhine.

"We may instance those delicate light wines of Kelley's Island, which are produced under the superintendence of Messrs. Kelley and Huntington, and have acquired so marked a preference in late years. For purity and excellence they may be put in competition with the wines of any climate.

"Now under such favourable anspices one would think the native wine trade would thrive and prosper a hundredfold. One would think that with vast improvements in the production and manufacture of the wines, with high scientfic skill in the cultivation of the grape itself, with a heavy protective duty on foreign wines and no tax at all on wines of home growth, this important branch of industry would have increased to a magnitude corresponding to its supposed advantages.

But such is not the fact. With such an enormous amount of floating capital seeking investment in the country at large, no measurable amount has found its way in this direction; no vast establishments have grown up as it were in a day to supply the enormous deficiency caused by prohibitory duties upon foreign wines; the old wine establishments remain nearly as they were before the war; native wines have not become a national

them to be an unnecessary interference with their business, and in not a few instances have declared to the Commissioner that if any higher rates were to be imposed upon this indispensable article they might as well abandon any idea of attempting to extend, perfect, and diversify their special products. The Commissioner, therefore, with a view of putting an end at once and for ever to these difficulties, would propose the duties on steel be made wholly specific, and on the following basis: *On scrap steel, one-fourth cent per pound; on blister steel in bars, broken up for melting, one and one-half cent per pound; on German steel in bars, two cents per pound; on shear steel, in bars, two and one-half cents per pound; on cast steel ingots, and on all rough and unfinished castings in steel, on cent per pound; on castings in steel, drilled, bored, or hammered cold, one and one-fourth cent per pound; on cast steel in bars, two and one-half cents per pound; on cast or German steel in plates to sixteen wire-*

beverage, and except by persistent private enterprise even these establishments would be financially wrecked, like so many others which were once flourishing and wealth-producing. With all the *protection* a very slight revenue tax would tax them out of existence. They are too weak to bear this burden.

"The main cause of it all lies in this—protection of the native wine trade means a premium on spurious wines. When real champagne is worth per dozen from $20 to $24 *in gold*, and imitation champagne can be made for $8 a dozen in paper money, the premium is in the difference between the two sums. Vast wine-cellars for the manufacture of spurious wines sprung up like mushrooms all over the land.

"These poisonous compounds at low prices tempt the cupidity of the dealer. The New York label manufacturer readily furnishes the label—the 'brand'—of any known wine. The whisky distiller furnishes the stimulus, the chemist the flavour, the sugar-house the syrup, and the gas-pump the effervescence. With these antagonists to contend with, good pure wines, both native and foreign, go to the wall; competition is out of the question.

"In the production of native wines heavy duties increase also the costs. As, for instance, transportation; the freight tariff is increased on the railroads. All materials are obliged to be imported, bottles, corks, &c., and two freights to pay on these—duties, &c.; and then the cost of labour is fourfold in this country to what it is in France.

"Another great evil is that in the manufacture of '*domestic wines*,' *i.e.*, wines made here or compounded, a class of poor native wines, or wines of half-ripened or rotten, poorly-cultivated grapes, are eagerly bought up at low prices, and are then *doctored*, coloured, whiskied, and sweetened, and sold under the names of Madeiras, sherries, or ports.

"This gives encouragement to the worst class of vineyardists, who, taking examples from their patrons, learn to introduce unripe blackberries, rhubarb, cider, whisky, sugar, and water into their vile compounds. All this stuff, being *doctored*, finds its way to the abodes of our citizens, to the hospitals, and to the communion table. Shocking as all this may appear, yet it is true. It is in everybody's experience. He who runs may read.

"Respectfully,

"FRED. S. COZZENS."

gauge, inclusive, two cents per pound; from seventeen to twenty-four, two and one-half cents per pound; above twenty-four, three cents per pound; on cast or German steel in form of wire and sheets which are drawn or rolled cold, to sixteen wire-gauge, inclusive, three cents per pound; thinner than sixteen wire-gauge, three and one-half cents per pound. On cast steel tires for rolling stock for railroads two cents per pound; on cast steel straight axles, shafts, piston rods, and general forgings to pattern, one cent per pound; do., do., rough-turned, one and one-half cent per pound; finished ready for use, two cents per pound; on cast steel crank axles forgerd to shape, only one and one-fourth cent per pound; rough-turned, planed, and slotted, one and one-half cent per pound; finished ready for use, two and one-half cents per pound. On cast steel rails, one and one-half cent per pound. On steel not otherwise provided for, two cents per pound.*

By a schedule of substantially this character, which can be enlarged and made more minute if desirable, the duties on steel can be readily determined by the eye and weight, and all difficulties arising from undervaluations be at once and for ever done away with. If it be objected that such a schedule involves a lower scale of duties than is now imposed, the Commissioner would reply that he believes that the interests of the country and of the revenue alike demand that the existing duties should be reduced, on the ground that they are at present excessive and more than are required to sustain the domestic manufactures in a condition of firm prosperity. The whole number of persons engaged in the *direct* manufacture of steel in the United States at the present time is not in excess of three thousand five hundred. It would, however, be a low estimate to place the number of those who use steel as a raw material in the manufacture of axes, chisels, files, cutlery, spades, shovels, pistols, machinery, and other tools and implements, at less than two hundred thousand; while an addition of those indirectly interested in having cheap steel would swell this number to at least one million and a half of individuals, who are at the same time the most important and valuable of all those who by their industry add to the annual product of the country.

DRUGS AND CHEMICALS.

In respect to the following articles, included in the list of drugs and chemicals, the Commissioner would recommend an entire removal of all duties, mainly for the reason that the

* At the time this specific rate on steel was proposed, it was the equivalent of the *ad valorem* rate then imposed. It was not the intention of the Commissioner to recommend increased duties on any form of steel.—EDITOR.

amount of revenue received from them specifically or in the aggregate is too small to compensate for the complications thereby occasioned in the administration of the tariff and the disturbance of legitimate trade and industry.

Asphaltum, albumen, chalk of all kinds; acids (benzoic, carbolic, citric, gallic, muriatic, nitric, oxalic, sulphuric, tannic); acetates of ammonia, baryta, iron, copper, magnesia, potassa, soda, and strontia; aloes; ammonia and its salts; aniline, colours or dyes; arsenic; assafœtida; balsams of all kinds; Peruvian and other medicinal barks; buchu leaves; camphor, crude; cantharides; chemical preparations not specified in the existing tariff; tartar emetic; cubebs; cuttle-fish bone; dragon's blood; all other drugs and dyestuffs not specified in the existing tariff; seaweed; dulce; ergot; all medicinal flowers, leaves, and plants not specified in the existing tariff; extract of indigo; iodine, crude, sublimed, or compounded; ipecacuanha; jalap; lac, seed and stick; madder extract and garancine; magnesia and its salts; manna; musk; medicinal preparations not specified in the existing tariff; nitrate of soda; nut galls; phosphorus; chlorate of potash; rhubarb; saltpetre; chloride of potash; rose leaves; safflower; santonine; sarsaparilla; strychnine and its salts; barytes and its salts; Epsom salts; sulphate of zinc; clay and Fullers' earth of all kinds; mosses, sea-weeds, and other similar vegetable substances; all volatile, essential, and illuminating oils not specifically provided for; olive, palm, and cocoa-nut oils; tar, turpentine; lime-juice; cobalt; and all seeds and roots not specifically provided for. The loss of revenue involved in these reductions would not, as near as can be estimated, exceed two millions of dollars.

The Commissioner would also call attention to certain peculiarities of the existing tariff in connection with the importation of drugs and chemicals, which are especially worthy of attention.

Thus, crude camphor pays a duty of thirty cents per pound, while "refined camphor," as it is called, is subject to a duty of forty cents per pound. Now, the fact is that all camphor of commerce is a crude product of special countries, more or less impure, which can be easily refined for about three cents per pound, and the effect of making a difference of ten cents per pound between what is called "refined" and "crude," has been to shut out all foreign competition in marketable camphor, and to give an almost exclusive control of the domestic trade within the United States to a single refiner in New York city.

Castor oil is subject to a duty of $1 per gallon (gold), or $1 10 if not imported direct from the East Indies; in the interior of which country, as also in Mexico and other tropical regions, the plant grows almost spontaneously. As a rule, furthermore, it

costs less to express and deliver the oil at a shipping point than it does to deliver the oil in the beans. The existing tariff imposes a duty of sixty cents per bushel on castor beans, which is equivalent to thirty-five cents per gallon on the oil in the beans. This is less sensible than to so legislate as to force the export of all our wheat and other cereals with the straw attached, for, while there is some value in the straw pertaining to the cereals, castor oil beans have no value except for the oil they contain.

The result of such a system has been that, while castor oil can be imported direct from the East Indies for about eighty-seven cents per gallon in gold, the price has ruled in the American market for the past three years at about $2 50 per gallon in currency, and the cultivation of these cathartic beans has been forced to a considerable extent in States that should grow cotton and cereals; on the other hand, the government derives less than two cents per gallon in the place of $1 per gallon on the whole amount, some 200,000 gallons, consumed yearly, and some two or three parties hold a practical monopoly in all our interior trade in this article, while the foreign commerce in the commodity has practically ceased.

In like manner the tariff duties on borax, morphine, bichromate of potash, and sugar of lead, are at present all calculated to give large and unjust profits to a few manufacturers, to the great detriment alike of the revenue and of the masses of the people.

It is hardly necessary to add that the adoption of the foregoing recommendations of the Commissioner would necessitate, in the interests of the revenue, a change in the duties now levied on many articles in a more advanced stage of manufacture inasmuch as the reduction effected in the cost of the elementary material of certain domestic industries would render many of the provisions of the existing tariff absolutely prohibitory, and thus destroy the revenue at present derived from the import of similar articles.

WHAT CONSTITUTES A REVENUE TARIFF.

The Commissioner has thus presented a statement of some of the modifications of the tariff now in force which seem to be immediately demanded by the present condition of industry, rendered possible by the surplus revenue now accruing and in accordance with existing public sentiment.

In thus providing for a reduction of the customs revenue to an extent of about fourteen millions per annum, the Commissioner asserts, and has proved, that the relief to be experienced

by the people, through the removal of indirect burdens, will be far greater than the sum of the direct taxes abated; as the result cannot fail to effect a reduction of the excessive cost of very many articles of prime necessity, the artificially enhanced price of which is now either a dead loss to the community, or a payment of taxes which are not received by the treasury. The Commissioner has also considered it desirable, in view of the present general interest in the question of revenue reform, and especially in the simplification of collection, to present a schedule, showing in what manner a new tariff might be constructed, with the primary object of obtaining from the smallest number of articles, and without excessive duties, an annual revenue of one hundred and fifty millions, and which at the same time would not expose the branches of industry which have been stimulated by protection to any danger of collapse; it being assumed that the relief to be experienced by manufacturers from the abatement of taxes upon their raw materials would, to a large extent, compensate for the reduction of duties upon their product; thus enabling them, through a reduction of cost, to extend their markets, increase consumption, and resume exports.

SCHEDULE OF A TARIFF CONSTRUCTED WITH A VIEW OF OBTAINING FROM THE SMALLEST NUMBER OF IMPORTED ARTICLES AN ANNUAL REVENUE OF ONE HUNDRED AND FIFTY MILLIONS OF DOLLARS.

CLASS 1.—*Articles of food and drink.*

	Revenue estimated on the basis of receipts 1868–69.
Beer, ale, and porter	$250,000
Chocolate and cocoa	100,000
Dried fruits at 2 cents per pound, and green fruits at 10 per cent. *ad valorem*, with no allowance for damage	3,000,000
Cigars, at $2 per pound	5,000,000
Tobacco, unmanufactured, at 25 cents per pound	1,250,000
Coffee and substitutes for coffee	12,000,000
Molasses and melado	5,000,000
Sugars	33,000,000
Tea	10,000,000
Spirits, at $2 per proof gallon	4,000,000
Wines, other than sparkling, at 50 cents per gallon	4,000,000
Sparkling wines at $6 per dozen	1,000,000

	Revenue estimated on the basis of receipts 1868-69.
Spices	$2,000,000
Rice	1,150,000
Sardines, meats, preserves, &c.	150,000
Nuts	450,000
Pickles, sauces, vermicelli, macaroni, sago, &c.	150,000
Total	$82,500,000

CLASS 2.—*Textile fabrics and wares. Duties to be in specific form as far as possible, but at the specific amount represented by the rates named in the following list.*

Silks, at 35 per cent., this being the highest rate which it is easy or possible to collect without great loss from smuggling	$10,000,000
Wool and worsted manufactures, 15 to 35 per cent., averaging 25 per cent., specific	10,000,000
Cotton manufactures, 15 to 35 per cent., averaging 25 per cent., specific	5,000,000
Flax manufactures, 15 to 35 per cent., averaging 25 per cent., specific	5,000,000
Hemp and jute manufactures, 15 to 35 per cent., averaging 25 per cent., specific	2,000,000
Gloves, hats, and bonnets	1,000,000
Paper and manufactures of paper, 10 per cent	500,000
Furs and manufactures of furs	500,000
Earthen, stone, china, and glass, 25 per cent., specific	4,000,000
Total	$38,000,000

CLASS 3.—*Metals.*

Iron, steel, lead, tin, and manufactures of same, at such specific rates as shall amount to 25 per cent	$15,000,000

CLASS 4.—*Fancy goods, at such specific rates as shall be equivalent to 35 per cent.* ad valorem.

Clocks, watches, embroideries, toys, musical instruments, pipes, perfumes, ornaments, feathers, fire-crackers, &c	$4,000,000
Laces, braids, and fancy webbing	1,000,000

CLASS 5.—*Drugs and chemicals.*

Liquorice, opium, oils, preparations containing spirits, and patent medicines.....	$1,500,000

CLASS 6.—*Miscellaneous, at such specific rates as shall be equivalent to from* 15 *to* 35 *per cent.* ad valorem.

Brooms, brushes, mats, millinery, manufactures of India-rubber, marble, cork, and hair, soap, hops, &c.	$2,000,000

Recapitulation.

Articles of food and drink	$82,500,000
Textiles and wares	38,000,000
Metals	15,000,000
Fancy goods.....	5,000,000
Drugs, chemicals, and oils	1,500,000
Miscellaneous	2,000,000
Total	$144,000,000

The above estimates present an aggregate of $144,000,000, to which may be added the sum accruing from fines, penalties, and forfeitures—say $1,000,000—making a total of $145,000,000. To this, however, must be further added the amount which represents the elasticity of the customs revenue, arising from the rapid increase of the country in wealth and population, which cannot be fairly estimated at less than $5,000,000 per annum, on an average; and this sum, it is to be remembered, would also represent the amount which, after the first year, would be annually applicable for the reduction of the rates upon tea, coffee, sugar, or such other articles as might be deemed desirable.

CONCLUSION.

The Commissioner offers no apology for the length of this report. The subject of using the national resources for the purpose of obtaining a large, but necessary revenue, and of perfecting the existing revenue laws, enlarges the more it is investigated; and although a few simple principles serve as a key to the whole question, it has seemed expedient to the Commissioner to illustrate their application in different ways, and in respect to many different topics. As the present constitutes the last regular report of the Commissioner (his office expiring, by limitation of law, at the close of the present fiscal year, June 30, 1870), he has

endeavoured, moreover, to complete, as far as possible, the statement of the result of his investigations. And in respect to these investigations, commenced under the Revenue Commission in 1865, and continued uninterruptedly to the present, the Commissioner claims the privilege to assert that he has endeavoured faithfully and conscientiously to discharge the duties of his office; has sought to know only the truth, and to speak that only which has seemed to him to be for the best interests of the whole country. He is well aware that in expressing opinions and recommendations, which have been forced upon him by conviction, he has placed himself in antagonism to many with whom he was formerly in close agreement; but he feels confident that time, experience, and free discussion will confirm the correctness of his general conclusions and vindicate his position. In confirmation of this opinion he would call attention to the circumstance that, from the very first, none of his recommendations received at the outset anything of general support from either Congress or the public. Thus in the case of distilled spirits: although the impolicy and waste of the two-dollar tax were demonstrated in 1865 by facts and examples drawn from our own and the experience of other nations, and its abatement earnestly recommended, the proposition found barely a single supporter in either branch of Congress, while the Commissioner was accused, by means of an anonymous circular laid upon the desk of each member, of having been influenced in his statements and recommendations by corrupt and unworthy motives. A like disfavour also attended nearly all the other principal recommendations by him *first* submitted; as, for example, the repeal of the tax upon raw cotton; crude petroleum; the cumulative and onerous taxes on all manufacturing industry; the proposition to collect the revenue from fermented liquors by means of stamps; and from tobacco by the joint application of the stamp and package system; the appointment of supervisors; the uniform tax upon cigars, and the like; and yet the adoption of all of these measures has been subsequently found necessary through experience, and has, by general acknowledgment, resulted in great and permanent benefit alike to the government and the people. Feeling confident, therefore, from such a retrospect, as to the issues of the future, the present report, with its recommendations, is respectfully submitted.

DAVID A. WELLS,
United States Special Commissioner of Revenue.

Hon. GEORGE S. BOUTWELL,
Secretary of the Treasury.

APPENDIX A.

Table showing the exact cost of the support of forty persons employed in the manufacture of cotton goods in the town of ——, in Massachusetts, for the twenty-seven weeks ending November 1, 1869.

	Quantity.	Value.	Total value.	Quantity per week for each person.
Provisions:				
Meat	3,464 pounds	$585 32	...	3 1-5 pounds.
Flour	5,920 pounds	208 70	...	5½ pounds.
Potatoes	63 bushels	48 92	...	¼ peck.
Fish	652 pounds	45 57	...	6-10 pound.
Lard	283½ pounds	119 36	...	¼ pound.
Pastry	...	117 61		
Butter	844½ pounds	342 99	...	12½ ounces.
Sugar	1,675½ pounds	229 15	...	1½ pound.
Eggs	269½ dozen	89 91	...	3 eggs.
Crackers	8½ barrels	37 10	...	1·5-4 pound.
Beans	9 quarts	1 38		
Cheese	316½ pounds	80 69	...	4⅝ ounces.
Rice	69½ pounds	9 96	...	1 ounce.
Meal	5 pounds	20		
Tea	79 pounds	90 59	...	1 1-6 ounce.
Coffee	15 pounds	7 35	...	1-5 ounce.
Apples, green	15½ bushels	24 92		
Apples, dried	55 pounds	11 35		
Pickles	17⅞ gallons	21 73		
Molasses	24½ gallons	21 95		
Corn starch	14 pounds	2 28		
Raisins	54 pounds	12 50		
Spices	...	10 84		
Cream tartar	6½ pounds	4 65		
Saleratus	13 pounds	1 82		
Vinegar	12 gallons	5 40		
Salt	7 pecks	3 08		
Milk, sweet	1,336 quarts	80 20	...	2½ pints.
Milk, sour	29 quarts	87		
Citrons	...	60		
Cabbages	...	3 70		
Squashes	...	3 50		
Vegetables, Sundry	...	43 33		
Onions	...	3 53		
Prunes	90 pounds	21 10		
			2,292 75	
Sundries:				
Matches, stove blacking, &c.	...	2 66		
Stone jars	...	3 50		
Lamp chimneys, burners, and wicking	...	6 05		
Washing fluid and bluing	...	3 04		
			15 25	
Soap:				
Hard	116 pounds	17 40		
Soft	4 barrels	18 00		
			35 40	
Oil:				
Kerosene	51 gallons	22 15		
			22 15	
Fuel:				
Coal	8,660 pounds	38 64		
Wood	6½ cords	37 50		
			76 14	
			2,351 69	

Cost of support of forty persons employed in the manufacture of cotton goods, &c.—Continued.

	Value.	Total value.	
Labour, cooking, waiting, &c. :			
Boarding mistress, 27 weeks, at $13 50	$364 00		
One hand, 14 weeks, at $1	14 00		
One hand, 7 weeks, at $1 50	10 40		
One hand, one-third time for 6 weeks, at $3	6 00		
		395 00	
Labour, washing, &c. :			
One hand, one-third of each week for 27 weeks, at $3	27 00		
One hand, one-third of each week for 14 weeks, at $1 50	7 00		
One hand, one-third of each week for 13 weeks, at $2 75	11 92		
		45 92	
Care of rooms :			
One hand, two-thirds of each week for 21 weeks, at $3	42 00		
One hand, two-thirds of each week for 14 weeks, at $1 50	14 00		
One hand, one-third of each week for 6 weeks, at $3	6 00		
One hand, two-thirds of each week for 13 weeks, at $2 75	23 83		
		85 33	
		2,968 44	

Number of persons boarded, including housekeeper and servants.

	Adult males.	Adult females.	Children, male.	Children, female.	Total.
May	21	18	6	5	50
June	16	22	5	2	45
July	14	14	4	2	34
August	28	12	3	3	46
September	23	13	1	2	39
October	16	17	1	2	36
Average	19⅔	16	3¼	2⅔	41⅔
Deduct for children					1⅔
Equal to adults					40

Cost as above	$2,968 44
Rent of house, at $350	175 00
Twenty-seven weeks, at $116 42	$3,143 44

Or, for forty adults, $2 91 per week each. House and help competent for forty-five boarders, which would reduce average, say $2 75 per week.

Appendix B.

The Tariffs of the United States.

STATEMENT SHOWING THE REVENUE COLLECTED EACH YEAR FROM 1789 TO 1868, THE AMOUNT OF DUTIABLE IMPORTS AND FREE GOODS IMPORTED ANNUALLY, AND THE AVERAGE RATE OF DUTY ON IMPORTS ANNUALLY.

	Tariffs.	Customs.	IMPORTS.			Per cent. on dutiable.	Per cent. on aggregate.
			Free.	Dutiable.	Total.		
From Mar. 4, 1789, to Dec. 31.							
1790—Aug. 10...	General	...	...	...	...	...	...
1791—Mar. 3...	Spirits	$4,399,473 09	...	...	52,200,000	...	8½
1792—May 2...	General	3,443,070 85	...	...	31,500,000	...	11
1793	...	4,255,306 56	...	...	31,100,000	...	13½
1794—June 7...	General	4,801,065 28	...	...	34,600,000	...	14
1795—Jan. 29...	Supplementary	5,588,461 26	...	...	69,756,268	...	9
1796	...	6,567,987 94	...	...	81,436,164	...	8½
1797—Mar. 3...	General	7,549,649 65	...	...	75,379,406	...	10
1798	...	7,106,061 93	...	...	68,551,700	...	10½
1799	...	6,610,449 31	...	...	79,069,148	...	8½
1800—Mar. 13...	Sugar and wines	9,080,932 73	...	...	91,252,768	...	9½
1801	...	10,750,778 93	...	...	111,363,511	...	9
1802	...	12,438,235 74	...	...	76,333,333	...	16
1803	...	10,479,417 61	...	...	64,666,666	...	16
1804—Mar. 26...	Mediterranean fund	11,098,565 33	...	...	85,000,000	...	14
1805—Mar. 27...	Light money	12,936,487 04	...	...	120,600,000	...	10½
1806	...	14,667,698 17	...	...	129,410,000	...	11½
1807	...	15,845,521 61	...	...	138,500,000	...	11½
1808	...	16,363,550 58	...	...	56,990,000	...	30
1809	...	7,296,020 58	...	...	59,400,000	...	12
1810	...	8,583,309 31	...	...	85,400,000	...	10
1811	...	13,313,222 73	...	...	53,400,000	...	25
1812—July 1...	War; double duties	8,958,777 53	...	...	77,030,000	...	11½
1813—July 13...	Salt	13,224,623 25	...	...	22,005,000	...	60
1814	...	5,998,772 08	...	...	12,965,000	...	47
1815	...	7,282,942 22	...	...	13,041,274	...	55
1816—April 27...	Min. for protection	36,306,874 88	...	...	147,103,000	...	25
1817	...	26,283,348 49	...	...	99,250,000	...	27
1818—April 20...	Iron and alum	17,176,385 00	...	...	121,750,000	...	14
1819—Mar. 3...	Wines	20,283,608 76	...	...	87,125,000	...	23
1820	...	15,005,612 15	...	...	74,450,000	...	20½
1821	...	18,475,703 57	$10,082,313	$52,503,411	62,585,724	35·6	29·5
1822	...	24,066,066 43	7,298,708	75,942,833	83,241,541	31·7	28·9
1823	...	22,402,024 29	9,048,288	68,530,979	77,579,267	32·7	28·8
1824—May 22...	General rise.	25,486,817 86	12,563,773	67,985,234	80,549,007	37·5	31·6
1825	...	31,653,871 50	10,947,510	85,392,565	96,340,075	37·1	32·8
1826	...	26,083,861 97	12,567,769	72,406,708	84,974,477	34·6	30·7
1827	...	27,948,956 57	11,855,104	67,628,964	79,484,068	41·3	35·1
1828—May 19...	Min. extended	29,951,251 90	12,379,176	76,130,648	88,509,824	39·3	33·8
1829	...	27,688,701 11	11,805,501	62,687,026	74,492,527	44·3	37·1

The tariffs of the United States, &c.—Continued.

	Tariffs.	Customs.	IMPORTS.			Per cent. on dutiable.	Per cent. on aggregate.
			Free.	Dutiable.	Total.		
1830—May 20...	Coffee, tea, molasses	$28,389,505 05	$12,746,245	$58,130,675	$70,876,920	48·8	40
1831.....	...	36,596,118 19	13,456,625	89,734,499	103,191,124	40·8	35·4
1832—July 14...	Modifications	29,341,175 65	14,249,453	86,779,813	101,029,266	33·8	29
1833—Mar. 2...	Compromise	24,177,578 52	32,447,950	75,670,361	108,118,311	31·9	22·4
1834.....	...	18,960,705 96	68,393,180	58,128,152	126,521,332	32·6	15
1835.....	...	25,890,726 66	77,940,493	71,955,249	149,895,742	36·0	17·2
1836.....	...	30,818,327 67	92,056,481	97,923,554	189,980,035	31·6	16·2
1837.....	...	18,134,131 01	69,250,031	71,739,186	140,989,217	25·3	12·4
1838.....	...	19,702,825 45	60,860,005	52,857,399	113,717,404	37·8	17·3
1839.....	...	25,554,533 96	76,401,792	85,690,340	162,092,132	29·9	15·8
1840.....	...	15,104,790 63	57,196,204	49,945,315	107,141,519	30·4	14·1
1841—Sept. 11...	Free list taxed	19,919,492 17	66,019,731	61,926,446	127,946,177	32·2	15·6
1842—Aug. 30...	General rise	16,662,746 84	30,627,486	69,534,601	100,162,087	23·1	16·6
1843.....	...	10,208,000 43	35,574,584	29,179,215	64,753,799	35·7	15·7
1844.....	...	29,236,357 38	24,766,881	83,668,154	108,435,035	35·1	26·9
1845.....	...	30,952,416 21	22,147,840	95,106,724	117,254,564	32·5	26·4
1846—Aug. 6...	Revenue tariff	26,712,668 00	24,767,730	96,924,058	121,691,797	26½	21·9
1847.....	...	23,747,865 00	41,772,636	104,773,002	146,545,638	22½	16·2
1848.....	...	31,757,071 00	22,716,603	132,282,325	154,998,928	24	20·4
1849.....	...	28,346,739 00	22,377,665	125,479,774	147,857,439	23	19·2
1850.....	...	39,668,686 00	22,710,382	155,427,936	178,138,318	25·2	22·3
1851.....	...	49,017,568 00	25,106,587	191,118,345	216,224,932	26	22·6
1852.....	...	47,339,326 00	29,692,934	183,252,508	212,945,442	26	22·2
1853.....	...	58,931,865 00	31,383,534	236,595,113	267,978,647	25	22
1854.....	...	64,224,190 00	33,285,821	271,276,560	304,562,381	23·5	21·1
1855.....	...	53,025,794 00	40,090,336	221,378,184	261,468,520	23	20·3
1856.....	...	64,022,863 00	56,955,706	257,684,236	314,639,942	25	20·3
1857—Mar. 3...	General	63,875,905 00	66,729,306	294,160,835	360,890,141	21·5	17·7
1858.....	...	41,789,621 00	80,319,275	202,293,875	282,613,150	20	14·8
1859.....	...	49,565,824 00	79,721,116	259,047,014	338,768,130	19	14·6
1860.....	...	53,187,511 00	90,841,749	279,872,327	362,166,254	19	14·7
1861—Mar. 2 / Aug. 5 / Dec. 24	...	39,582,186 00	*134,559,196	218,180,191	352,739,387	18·1	11·2
1862—July 14...	General	49,056,398 00	*91,663,481	183,843,458	275,446,939	26·7	17·7
1863—Mar. 3...	...	69,059,642 00	44,826,029	208,093,891	252,919,920	33·2	23·7
1864—June 30...	General	102,316,153 00	*54,244,183	275,320,951	329,565,134	37·2	31
1865—Mar. 3...	...	84,928,260 00	54,329,588	194,226,064	248,555,652	43·7	34·2
1866—Mar. 14 / May 16 / July 28	...	179,046,630 00	69,728,618	375,783,540	445,512,158	47·06	40·2
1867—Mar. 2...	Wool and woollens	176,417,811 00	39,105,708	372,627,601	411,733,309	47·34	42·8
1868.....	...	164,464,599 56	29,804,147	343,605,301	373,409,448	47·86	44
1869—Feb. 24...	Copper increased	180,048,426 63	41,179,172	395,847,369	437,026,541	45·48	41·2

* In these amounts are included imports into the Southern ports during the war, from which no revenue was derived, viz.: in 1861, $17,089,234; in 1862, $90,798, and in 1864, $2,220.

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